UCLA

2015–2016

ANNUAL FINANCIAL REPORT

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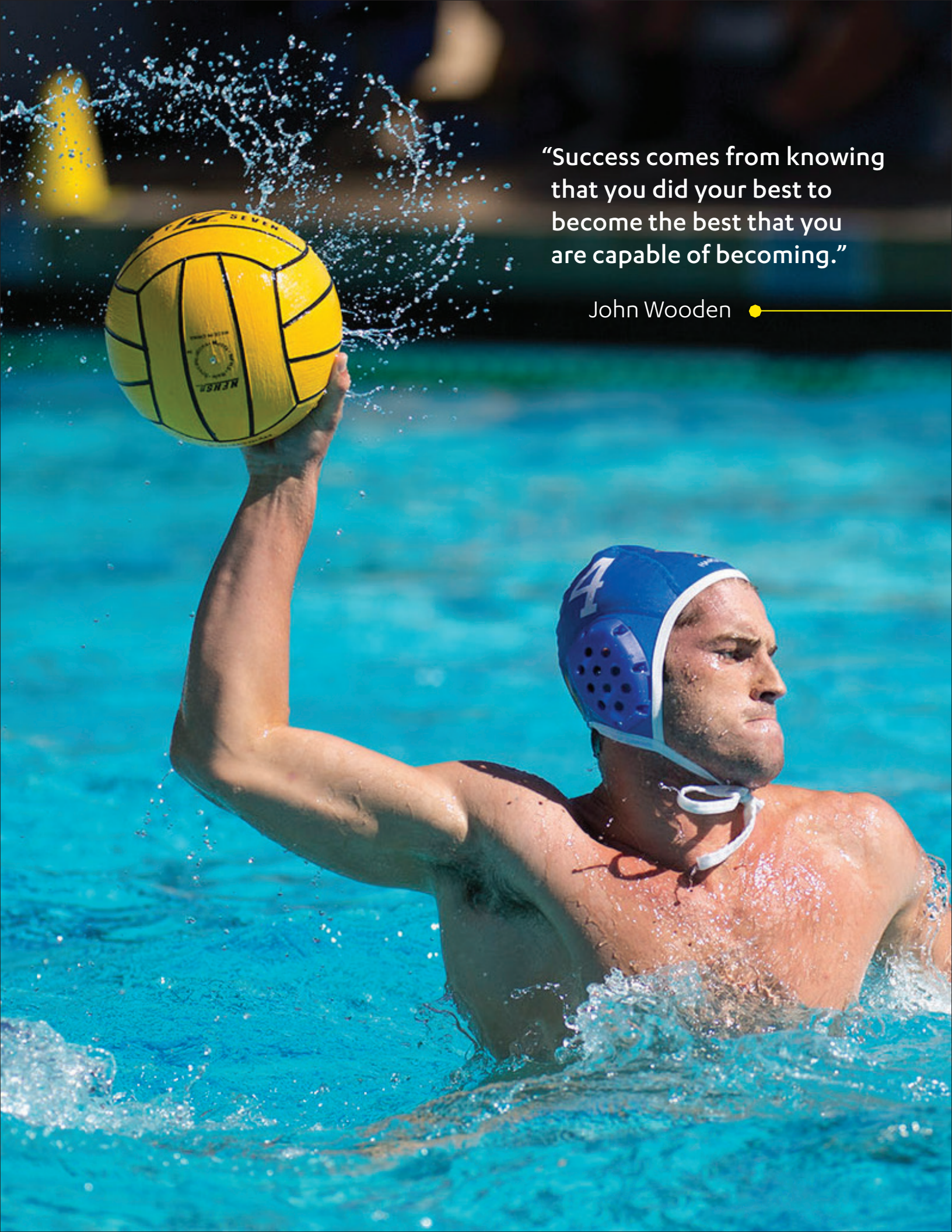
Uclaa

UCLA
BASKETBALL
11-TIME NATIONAL CHAMPIONS

"Timing is everything, and we were certainly in the right place at the right time."

Andrea Ghez

UCLA



"Success comes from knowing that you did your best to become the best that you are capable of becoming."

John Wooden

“Music should be the last thing you don’t have an open mind about.”

Randy Newman

UCLA

LETTER FROM THE CHANCELLOR

More than ever before, our community and world need engaged and caring people — people who pursue knowledge, build relationships and transform lives through research and discovery. That is who we are and what we do at UCLA, and you each make an important contribution to our efforts.

We are the university of opportunity — the opportunity to learn, discover, teach and change lives. And we all can take enormous pride in the accomplishments of our faculty, students, staff and supporters during the past academic year.

From exploring more effective methods for teaching today's students to providing a campus infrastructure that encourages entrepreneurship and innovation, UCLA continues to lead the way as one of the nation's premier research universities.

Thanks to prudent fiscal management and operational efficiencies, UCLA has maintained sound financial results even as the percentage of our budget that comes from the state of California has declined over the past several years. Looking ahead, based on anticipated adjustments in state support, and modest and predictable tuition increases, we expect to maintain positive financial results by capturing new streams of revenue and additional efficiencies, and by carefully managing expenses.

For 2015–16, UCLA's total operating and nonoperating revenues were almost $6.8 billion. The largest percentage, about 50 percent, came from the UCLA Health System. Student housing, food service, parking and other auxiliary enterprises supplied about one-quarter of our revenues; research funding — primarily federal — contributed about 14 percent; and private giving contributed 4 percent.

UCLA's excellence is reflected in our consistently outstanding performance in international and national rankings that measure academic strength, faculty quality and global reputation. UCLA was ranked eighth in the world in U.S. News & World Report's 2016 Best Global Universities report, 12th in Shanghai Jiao Tong University's 2016 Academic Ranking of World Universities and 13th in the Times Higher Education World Reputation Rankings for 2016. And our campus is regularly at or near the top of rankings for economic diversity.

The value and promise of our faculty's work are reflected in their success in attracting research grants. In 2015–16, UCLA received 5,554 awards totaling $1.05 billion, marking the fifth time in the past seven years that the campus has surpassed the $1 billion mark.

In addition, UCLA Health hospitals in Westwood and Santa Monica were ranked No. 1 in California and No. 5 in the nation in U.S. News & World Report's annual honor roll. U.S. News also recognized our School of the Arts and Architecture for having the nation's No. 2 graduate program in the arts.

Behind these impressive statistics are faculty, students and staff who are among the most distinguished to be found anywhere.

Critical to our ability to grow and lead is UCLA's Centennial Campaign. Thanks to our phenomenal supporters, we are more than halfway toward our goal of raising $4.2 billion by 2019.

The campaign rightly celebrates our past and reimagines our future, and one of its important goals is to bolster financial support for promising students from all walks of life. To that end, I launched the UCLA Chancellor's Centennial Scholars Match, which is aimed at generating $150 million for undergraduate scholarship support.

Philanthropy also has played a critical role in our efforts to bring to fruition new, state-of-the-art buildings that will foster the next generation of excellence in research, teaching and athletics.

Among the highlights of the 2015–16 year:

- We opened the beautiful UCLA Meyer and Renee Luskin Conference Center, a much-needed addition to our campus. The conference center will host residential academic meetings, bringing together the world's brightest academics, innovators and visionaries to exchange ideas that will help shape our world.
- We neared completion of Geffen Hall, our new medical education building that is designed to promote interdisciplinary collaboration, leverage new technology and provide spaces that can adapt to new innovations in teaching. The building will open in early 2017.

"We are proud of the talented and dedicated researchers who are playing a role in moving the Grand Challenges forward, and grateful for the many alumni and friends throughout California and around the world whose support is making that progress possible. Thank you for all you do to make UCLA the extraordinary university it is today and to ensure we will realize our promising future."

Gene D. Block

- We continued construction on Engineering VI, the newest research and education center of the Henry Samueli School of Engineering and Applied Science. The north wing of the building opened in spring 2015 and the new, south wing is expected to open in fall 2017. Engineering VI will house labs for research on renewable energy sources, next-generation semiconductors, nanotechnology and new materials for health care and other applications, as well as a technology-enabled 250-seat learning center.
- We made substantial progress on two new facilities for UCLA Athletics: The Wasserman Football Center, scheduled to open in summer 2017, and the Mo Ostin Basketball Center, which is slated to open in fall 2017. These cutting-edge buildings will provide practice, training, treatment and meeting space for our football and basketball programs, support our efforts to attract the nation's most outstanding student-athletes, and ensure that our teams continue to compete at the highest level.

Speaking of athletics, 2015–16 brought UCLA another NCAA championship — our 113th, most in the nation. Our men's water polo team not only won the national title, its second in a row, but also completed a perfect 30–0 season. In addition, our student-athletes in all sports continued to achieve at a very high level in the classroom, with three of our intercollegiate programs — women's golf, men's water polo and men's volleyball — recording perfect scores in terms of multiyear academic progress rates, an important measure of student-athletes' academic performance.

Finally, I want to highlight our Grand Challenge initiatives. The first, Sustainable LA, was launched in 2013 with the aim of dedicating UCLA's intellectual capital to develop technologies, policies and strategies that will make Los Angeles County sustainable by 2050. In 2015–16, we launched our second such initiative: the Depression Grand Challenge, an unprecedented multidisciplinary effort to understand, prevent and treat depression, the leading cause of disability worldwide. In its first year, the program launched demonstration studies, formed national and international research partnerships, and took steps toward launching a 100,000-person study on depression that will be the largest research project ever dedicated to a single disorder.

These are among the most prominent and tangible examples of how UCLA engages expertise from across our entire campus to solve major societal issues. We are proud of the talented and dedicated researchers who are playing a role in moving the Grand Challenges forward, and grateful for the many alumni and friends throughout California and around the world whose support is making that progress possible.

Thank you for all you do to make UCLA the extraordinary university it is today and to ensure we will realize our promising future.

Gene D. Block
Chancellor

CAMPUS AND FINANCIAL HIGHLIGHTS

CAMPUS AND FINANCIAL HIGHLIGHTS

Years ended, 2016 and 2015 *(dollars in millions)*	2016	2015
CAMPUS LAND AREA	419 acres	419 acres
ENROLLMENT - FALL QUARTER		
Undergraduates	29,585	29,633
Graduates, and Interns and Residents	13,716	13,606
EMPLOYEE COUNT		
Full-Time Equivalent (includes over 7,000 casuals and students)	34,109	33,147
NET POSITION		
Beginning of Year	$2,043	$1,980
End of Year	$1,509	$2,043
ASSETS:		
Total Current Assets	$1,794	$1,870
Total Noncurrent Assets and Deferred Outflows	$12,365	$11,586
	$14,159	$13,456
LIABILITIES:		
Total Current Liabilities	$1,419	$1,475
Total Noncurrent Liabilities and Deferred Inflows	$11,231	$9,938
	$12,650	$11,413
REVENUE:		
Operating Revenue	$5,895	$5,580
Nonoperating Revenue (Core Activities)	$999	$881
	$6,894	$6,461
Principal Sources of Operating Revenue:	$747	$668
Student Tuition and Fees	$931	$909
Grants and Contracts	$4,031	$3,805
Sales and Services		
Principal Sources of Nonoperating Revenue:		
State Educational Appropriations	$500	$458
EXPENDITURES:	$7,258	$6,496
Operating Expense	$139	$126
Nonoperating Expense (Core Activities)		
	$7,397	$6,622
Principal Operating Expenditures:		
Salaries and Wages	$3,278	$3,050
Benefits	$1,612	$1,303
Supplies and Materials	$797	$674

MANAGEMENT'S DISCUSSION AND ANALYSIS

The objective of Management's Discussion and Analysis (MD&A) is to help readers of the University of California Los Angeles' financial statements better understand the financial position and operating activities for the year ended June 30, 2016, with selected comparative information for the year ended June 30, 2015. This discussion has been prepared by management and should be read in conjunction with the financial statements and the notes to the financial statements. Unless otherwise indicated, years 2014, 2015, 2016, etc. in this discussion refer to the fiscal years ended June 30.

UCLA is one of 10 campuses within the University of California system. The UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB). The three basic financial statements in this report—the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows—encompass the UCLA campus and its discretely presented components, the UCLA Foundation and the Jonsson Cancer Center Foundation. The notes to the financial statements provide additional information that is essential to a full understanding of the financial statements. However, the MD&A and the notes to the financial statements focus mainly on the campus; information relating to The UCLA Foundation can be found in the separately issued audited financial statements at www.uclafoundation.org, and the Jonsson Cancer Center Foundation (JCCF) separately issued audited financial statements can be found at www.cancer.ucla.edu. Also, audited financial statements for the UCLA Medical Center are in the University of California's combined Medical Centers Report, available at www.ucop.edu.

The University of California

The University of California, one of the largest and most acclaimed institutions of higher learning in the world, is dedicated to excellence in teaching, research, health care and public service. The University has annual resources of nearly $31.2 billion and encompasses ten campuses, five medical schools and medical centers, four law schools and a statewide Division of Agricultural and Natural Resources. The University is also involved in the operation and management of three national laboratories for the U.S. Department of Energy (DOE). The consolidated audited financial report of the University of California is available at http://www.universityofcalifornia.edu/reportingtransparency/.

The Los Angeles Campus of the University of California

UCLA was founded in 1919 and is financially the largest campus in the 10-campus University of California system, with an annual budget of approximately $7 billion. The financial statements included in this annual report encompass the following:

Campus – The Los Angeles campus spans 419 acres in Westwood and is devoted to undergraduate and graduate scholarship serving over 43,000 students in the following schools:

College of Letters And Science

General
Humanities
Institute of the Environment and Sustainability
International Institute
Life Sciences
Physical Sciences
Social Sciences

Health Sciences Programs

David Geffen School of Medicine
Jonathan and Karin Fielding School of Public Health
School of Dentistry
School of Nursing

Professional Schools

Graduate School of Education & Information Studies
Henry Samueli School of Engineering & Applied Sciences
John E. Anderson Graduate School of Management
Meyer and Renee Luskin School of Public Affairs
School of Law
School of the Arts and Architecture
School of Theater, Film and Television
Herb Alpert School of Music

Basic Biomedical Sciences

Letters and Science: Basic Biomedical Sciences
Medicine:Basic Biomedical Sciences

During the 2015-16 academic year, UCLA offered approximately 6,750 different undergraduate and graduate courses in 165 subject areas, producing more than 400,000 enrollments in primary classes and 195,000 enrollments in laboratory and discussion sections over the course of the year. Known for academic excellence, many of UCLA's programs are rated among the best in the nation, and some are among the best in the world. Few universities offer the range and diversity of academic programs available to UCLA students.

The campus' mission also includes a strong dedication to research and public service. The UCLA community focuses on environmental issues, economic and social policy concerns, public education reform, and the cost of health care and medical advances. More than 5,500 research projects are being conducted on campus at any given time. For 2016, UCLA expenditures for research were approximately $806 million. In 2015, the most recently available ranking, the Center for Measuring University Performance, placed UCLA among the nation's top public and private research universities. This ranking was based on the number of competitively awarded research grants and contracts; faculty membership in the National Academies; faculty awards; the number of doctorates awarded; and other factors relating to research.

UCLA Extension offers the public more than 5,000 continuing education courses annually, covering professional and career development, academic enrichment and personal growth. These courses attract around 40,000 individual students from the many communities of Southern California and beyond.

UCLA employed over 45,000 faculty, administrators and staff (including casual and student employees), filling approximately 34,000 full-time-equivalent positions, and spent $5 billion in compensation costs for the fiscal year ended June 30, 2016. UCLA's employees are distinguished for their contributions to education, research and public service.

Distinguished honors and awards to UCLA alumni and faculty include:

- Three alumni awarded Nobel Prizes for chemistry (1951, 1984, 2010), two for economics (1990, 2009), one physiology or medicine (2013), and one for peace (1950)
- Four faculty members awarded Nobel Prizes for chemistry (1960, 1987, 1997, 2016), one for physics (1965), one for physiology or medicine (1998), and one for economic sciences (2012)
- Eleven alumni awarded Rhodes Scholarships (1936, 1948, 1955, 1962, 1969, 971, 1973, 197, 2009, 2010)
- Ten faculty members awarded the President's National Medal of Science from the National Science Foundation (1964, 1966, 1970, 1989, 1993, 1994, 1996, 2000, 2007, 2010)
- One faculty member awarded the Fields Medal for Outstanding Discoveries in Mathematics from the International Congress of the International Mathematical Union (2006)
- Three alumni, two faculty and one staff members awarded the Presidential Medal of Freedom (1963, 1984, 1993, 2000, 2003)

The Center for the Art of Performance at UCLA, the Fowler Museum at UCLA, the Hammer and the UCLA Film & Television Archive provide both academic programs and a wide array of public events second to none.

During the fiscal year 2016, UCLA's on-campus physical plant included 4 on-campus buildings under construction, along with 213 existing buildings. Off campus, UCLA owns or manages 142 buildings and has 193 existing leases for various programmatic activities. UCLA has 28 libraries, housing more than 11 million volumes; a cogeneration power plant; on-campus student housing for more than 13,000 students; off-campus student and faculty apartments; and more, including the UCLA Conference Center at Lake Arrowhead.

UCLA Health System is comprised of Ronald Reagan UCLA Medical Center, UCLA Medical Center Santa Monica, Resnick Neuropsychiatric Hospital at UCLA, Mattel Children's Hospital UCLA, and the UCLA Medical Group. With its wide-reaching system of primary-care and specialty-care offices throughout the region, UCLA Health System is among the most comprehensive and advanced health care systems in the world. According to U.S. News and World Report's America's Best Hospital Honor Roll, UCLA Health ranks as one of the top five hospitals in the nation and, for 27 consecutive years, as the best hospital in the Western United States. UCLA's nationally recognized programs based in Westwood and in Santa Monica have been ranked highly

in 25 of the 26 specialty areas. The medical center comprises the primary teaching hospitals for the David Geffen School of Medicine at UCLA. Information relating to UCLA Health System can be found at http://www.uclahealth.org/. Key Operating metrics for the UCLA Medical Center for the fiscal years ended June 30 are as follows:

			Increase / Decrease	
	2016	**2015**	**Amount**	**%**
Operating Statistics				
Licensed beds*	795	805	(10)	(1.2)%
Admissions	41,282	42,345	(1,063)	(2.5)%
Average daily census	744	738	6	0.8%
Discharges	41,263	42,303	(1,040)	(2.5)%
Average length of stay	6.6	6.4	0.2	3.1%
Patient days	272,191	269,368	2,823	1.0%
Case mix index	1.99	1.88	0.11	5.9%
Outpatient visits	806,359	766,640	39,719	5.2%
Admissions and Patient Days	272,191	269,368	2,823	1.0%
Outpatient Visits				
Hospitals and clinics	727,264	693,355	33,909	4.9%
Emergency visits	79,095	73,285	5,810	7.9%
Total	806,359	766,640	39,719	5.2%

*Decreased by ten NICU beds as part of the annual licensing with the state in 2016.

An Overview – The following table reflects the composition of UCLA for 2016, listing enrollment figures, full-time-equivalent employee figures and operating expenses by organization.

(dollars in millions)	Undergraduates	Graduates, Interns and Residents	Full-Time Equivalent*	Salaries and Wages	Benefits	Other Expenditures	Total Expenditures
Organizations	**Fall Enrollment**		**Employees**	**Operating Expenses**			
College of Letters and Science	24,371	2,632	3,596	$316	$159	$108	$583
School of the Arts and Architecture	882	437	562	32	17	11	60
School of Dentistry	-	498	376	38	17	25	80
School of Education & Information Studies	-	761	437	37	20	28	85
School of Engineering and Applied Science	3,229	2,063	811	80	42	34	156
School of Law	-	1,116	301	37	15	32	84
School of Management	-	2,094	433	59	23	52	134
School of Medicine	-	2,285	8,335	942	350	480	1,772
School of Nursing	186	380	139	13	6	6	25
School of Public Affairs	-	518	158	16	7	16	39
School of Public Health	-	578	288	30	15	22	67
School of Theater, Film and Television	350	328	298	22	11	9	42
Basic Biomedical Sciences	567	26	184	15	7	5	27
Neuropsychiatric Hospital	-	-	308	35	17	12	64
Neuropsychiatric Institute	-	-	559	61	30	43	134
Medical Center	-	-	8,572	880	521	801	2,202
University Extension	-	-	481	41	18	37	96
All Others	-	-	8,271	624	337	252	1,213
Subtotal Organizations	29,585	13,716	34,109	3,278	1,612	1,973	6,863
Depreciation Expense	-	-	-	-	-	364	364
Impairment of Capital Assets	-	-	-	-	-	4	4
Other Operational Expenditures	-	-	-	-	-	27	27
Total	29,585	13,716	34,109	$3,278	$1,612	$2,368	$7,258

The Campus' Financial Position

The statement of net position presents UCLA's financial position at the end of the fiscal year. It displays the assets, deferred outflows, liabilities, and deferred inflows of the campus. The difference between assets, deferred outflows, liabilities, and deferred inflows is net position.

THE CAMPUS' FINANCIAL POSITION *(dollars in millions)*

The major components of the assets, deferred outflows, liabilities, deferred inflows and net position as of 2016, and 2015, are as follows:

Assets, Deferred Outflows & Inflows, Liabilites, Net Position

(dollars in millions)	**2016**	**2015**	**2014**
ASSETS			
Investments	$5,798	$5,130	$4,917
Accounts, pledges and notes receivable, net	808	858	861
Capital assets, net	6,067	5,891	5,757
Other assets	167	244	159
Total assets	**12,840**	**12,123**	**11,694**
DEFERRED OUTFLOWS OF RESOURCES	**1,319**	**1,333**	**871**
LIABILITIES			
Debt, including commercial paper	3,655	3,554	3,434
Pension obligations	4,182	3,074	2,242
Obligations for retiree health benefits	2,519	2,277	2,031
Other liabilities	1,483	1,322	1,310
Total liabilities	**11,839**	**10,227**	**9,017**
DEFERRED INFLOW OF RESOURCES	**811**	**1,185**	**1,569**
NET POSITION			
Invested in capital assets, net of related debt	2,759	2,808	2,737
Restricted - expendable	2,456	1,588	1,523
Restricted - nonexpendable	266	259	248
Unrestricted	(3,972)	(2,612)	(2,528)
Total net position	**$1,509**	**$2,043**	**$1,980**

The Campus' Assets and Deferred Outflows

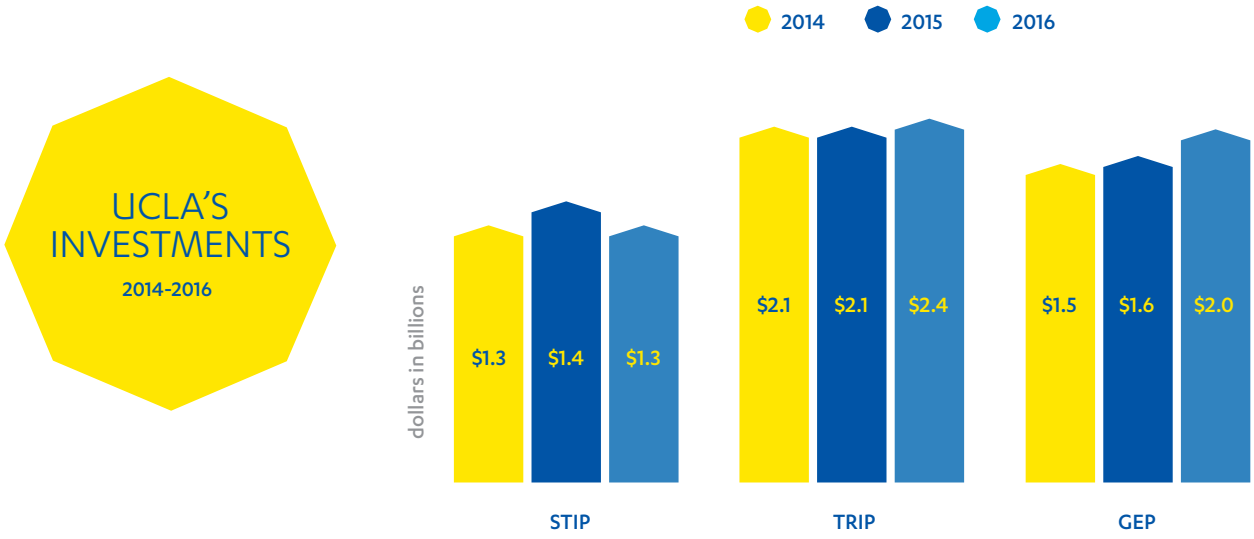
UCLA's total assets have grown by $717 million to $12.8 billion in 2016, compared to $12.1 billion in 2015. Capital assets have increased due to continued investments in facilities, and investments increased due to financial market returns and the sale of future patent royalty revenues. Deferred inflows and outflows fluctuate primarily as a result of changes in UCLA's pension obligations.

Investments

Investments held by the University are principally carried in three investment pools: the Short Term Investment Pool (STIP), the Total Return Investment Pool (TRIP) and the General Endowment Pool (GEP). Cash for operations are invested in STIP. The University uses STIP to meet operational liquidity needs. TRIP provides the opportunity to maximize the return on long-term capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP seeks to maximize to a total return objective and is intended to supplement STIP. As a result of continued low interest rates, the University increased its use of TRIP to enhance investment returns, while still maintaining sufficient funds in STIP to meet operational liquidity needs. The GEP is a balanced portfolio and the primary investment vehicle for individual endowments and funds functioning as endowments.

The Regents of the University of California ("The Regents") utilize asset allocation strategies that are intended to optimize investment returns over time in accordance with investment objectives and at acceptable levels of risk. GEP had a negative return of 3.4 percent in 2016, and positive returns of 7.2 percent and 19.0 percent in 2015 and 2014, respectively. TRIP had positive returns of 0.3 percent, 2.6 percent and 14.7 percent in 2016, 2015 and 2014, respectively. STIP had positive returns of 1.3 percent, 1.4 percent and 1.6 percent in 2016, 2015 and 2014, respectively.

UCLA's investments consisting of STIP, TRIP and GEP as of 2016, 2015 and 2014 are detailed below:



Accounts Receivable, net

Accounts receivable include amounts due from state and federal governments on contracts and grants, patient receivables for the medical center and professional fees. Receivables fluctuate based on the timing of collections.

Capital Assets, net

Capital spending continues at a brisk pace in order to provide the facilities necessary to support UCLA's teaching, research and public service mission and for patient care. Capital spending includes constructing and renovating academic buildings, research laboratories, libraries, student services, housing facilities, medical centers and clinical facilities, parking structures and infrastructure projects. Total additions to capital assets were $575 million in 2016 and $493 million in 2015. Completed buildings and improvements in 2016 include: the Saxon Suites Renovation and Addition in the amount of $31 million and the 10889 Wilshire Blvd acquisition in the amount of $93 million.

Major projects under construction include the Luskin Conference and Guest Center with cumulative costs of $142 million, the Teaching and Learning Center for Health Sciences with cumulative costs of $85 million, the Jules Stein Seismic Correction and Program Improvement with cumulative costs of $36 million, and the Engineering VI Phase 2 with cumulative costs of $36 million, as of FY 2016.

Other assets

Other assets include cash, investments held by trustees, pledge receivables, note and mortgage receivables, and inventories.

Deferred Outflows of Resources

Changes in fair values of the University's interest rate swaps determined to be hedging derivatives, losses on debt refundings and certain changes in net pension liability are reported as deferred outflows of resources. The total decrease of $14 million was comprised of a $40 million decrease for recognition of changes in the net pension liability, a $2 million decrease in loss on debt refunding, and a $28 million increase in changes to interest rate swaps.

The Campus' Liabilities and Deferred Inflows

Campus liabilities and deferred inflows of resources increased to $12.6 billion in 2016, compared to $11.4 billion in 2015, primarily due to a $974 million increase in obligations for the UC Retirement Plan, a $242 million increase in obligation for retiree health benefits, and $498 million in deferred revenue from the sale of future patent royalty revenues.

Debt, including commercial paper

Capital assets are financed from a variety of sources, including equity contributions, federal and state support, revenue bonds, bank loans and leases. Commercial paper and bank

loans provide interim financing for capital assets during the construction period. Outstanding debt increased by $101 million and $119 million in 2016 and 2015, respectively.

UCLA's debt, which is used to primarily finance capital assets, includes $125 million and $237 million, of commercial paper outstanding at the end of 2016, and 2015 , respectively. Total debt outstanding was $3.7 billion at the end of 2016 and $3.6 billion at the end of 2015.

In 2016, $115 million in General Revenue Bonds and $49 million in capital leases were issued to finance and refinance certain UCLA facilities and projects. Reductions to outstanding debt in 2016 were $96 million, including $18 million for one-time principal payments for the refinancing or refunding of previously outstanding debt, and $78 million in principal payments and amortizations.

The University's General Revenue Bond ratings are currently affirmed at Aa2, AA and AA by Moody's Investors Service, Standard & Poor's, and Fitch, respectively, all with stable outlooks. The University's Limited Project Revenue Bonds and Medical Center Pooled Revenue Bonds are currently affirmed at Aa3, AA- and AA- by Moody's Investors Service, Standard & Poor's, and Fitch, respectively, all with stable outlooks.

Commercial paper borrowings decreased by $112 million in 2016 as compared to 2015, and increased by $29 million in 2015 compared to 2014. Commercial paper is primarily used as interim financing for construction projects and equipment financing. Commercial paper fluctuates based upon the timing of refinancing construction projects with the issuance of long-term Revenue Bonds. The University has various revolving credit agreements totaling $1.2 billion with major financial institutions for the purpose of providing additional liquidity for bonds, commercial paper, and other liquidity needs system-wide.

Net Pension obligations and retiree health benefits

The University has a financial responsibility for pension benefits associated with its defined benefit plans and for retiree health benefits. UCLA's pension obligation was $3.4 billion and $2.4 billion in 2016 and 2015, respectively. The change in net pension liability for 2016 was primarily driven by lower than expected investment returns on the UCRP investment portfolio. The change in net pension liability for 2015 was primarily driven by changes in assumptions from the experience study and lower than expected returns on the UCRP investment portfolio. UCRP's total investment rate of return was negative 2.0 percent in 2016 and positive 4.5 percent in 2015. The discount rate used to estimate the net pension liability was 7.25 percent in 2016 and 2015.

The University's obligation for retiree health benefits is based upon an actuarial determination of the annual retiree health benefit expense. The University funds the retiree health expense through the University of California Retiree Health Benefit Trust (UCRHBT) based upon a projection of benefits on a pay-as-you-go basis. The increases of $242 million and $246 million for 2016, and 2015, respectively, in the obligation for retiree health benefits is due to the impact of amortizing the University's unfunded obligation. The unfunded liability for UCLA as of July 1, 2015, actuarial valuation was $4.3 billion.

Other liabilities

Other liabilities consist of accounts payable, other employee benefits, unearned revenue, funds held for others, federal refundable loans, self-insurance and obligations under life income agreements. Other liabilities were $1.5 billion and $1.3 billion for 2016 and 2015, respectively.

Deferred Inflows of Resources

Deferred inflows of resources are related to UCLA's gains on debt refundings, sales of certain future patent royalty revenues and certain changes in the net pension liability. In March 2016, the University sold the rights to receive future royalty payments to a third-party and received $520 million in net proceeds. The proceeds are reported as deferred inflows of resources and will be recognized through the expiration of the patents in 2027. Deferred inflows of resources in 2016 decreased by $872 million due to lower than expected investment returns on the UCRP portfolio offset by sales of certain future patent royalty revenues.

The Campus' Net Position

Net position represents the residual interest in UCLA's assets and deferred outflows after all liabilities and deferred inflows are deducted. UCLA's net position was $1.5 billion in 2016 compared to $2.0 billion in 2015. Net position is reported in the following categories: net investment in capital assets; restricted, nonexpendable; restricted, expendable; and unrestricted.

Net investment in capital assets

The portion of net position invested in capital assets, net of accumulated depreciation and related outstanding debt used to finance the acquisition, construction or improvement of these capital assets, was $2.8 billion in 2016 and 2015.

Restricted, expendable

Restricted, expendable net position is subject to externally imposed restrictions governing their use. Net position may be spent only in accordance with the restrictions placed upon them and may include endowment income and gains, subject to the University's spending policy; support received from gifts, appropriations or capital projects; trustee-held investments; or other third-party receipts. The increases or decreases in restricted, expendable funds are principally due to unrealized appreciation or depreciation, respectively, in the fair value of investments related to restricted gifts and funds functioning as endowments. New gifts were $338 million in 2016 and $342 million in 2015.

Restricted, nonexpendable

Restricted, nonexpendable net position includes the corpus of UCLA's permanent endowments and the estimated fair value of certain planned giving arrangements. In 2016, the increase in restricted nonexpendable net position were principally due to the receipt of new gifts.

Unrestricted

Under generally accepted accounting principles, net position that is not subject to externally imposed restrictions governing their use must be classified as unrestricted for financial reporting purposes. Unrestricted net position is negative due primarily to obligations for pension and retiree health benefits exceeding UCLA's reserves. Although unrestricted net position is not subject to externally imposed restrictions, substantially all of UCLA's reserves are allocated for academic and research initiatives or programs and for capital and other purposes. As of June 30, 2016 and 2015, unrestricted net position is in a deficit position. The increase

in the deficit in 2016 is primarily due to increases in the net pension liability and retiree health benefit obligations.

THE CAMPUS' RESULTS OF OPERATIONS

The statement of revenues, expenses and changes in net position is a presentation of the campus' operating results. It indicates whether the financial condition has improved or deteriorated. In accordance with Governmental Accounting Standards Board (GASB) requirements, certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of the campus are required to be recorded as nonoperating revenues, including state educational appropriations, private gifts and investment income.

A summarized comparison of the operating results for 2015, 2014 and 2013, arranged in a format that matches the revenue supporting the core activities of UCLA with the expenses associated with core activities, is as follows: (fig.01)

(fig.01) **Operating Results 2014-2016**

	Year Ended June 30, 2016			Year Ended June 30, 2015			Year Ended June 30, 2014		
(dollars in millions)	**Operating**	**Non-operating**	**Total**	**Operating**	**Non-operating**	**Total**	**Operating**	**Non-operating**	**Total**
REVENUES									
Student tuition and fees, net	$747	—	$747	$668	—	$668	$653	—	$ 653
State educational appropriations	—	499	499	—	$458	458	—	$452	452
Federal Pell Grants	—	50	50	—	50	50	—	48	48
Grants and contracts, net	931	—	931	909	—	909	857	—	857
Sales and services, net	4,031	—	4,031	3,806	—	3,806	3,309	—	3,309
Private gifts, net	—	314	314	—	285	285	—	268	268
Investment income, net	—	74	74	—	73	73	—	48	48
Other revenues, net	186	62	248	197	15	212	111	22	133
Revenues supporting core activities	**5,895**	**999**	**6,894**	**5,580**	**881**	**6,461**	**4,930**	**838**	**5,768**
EXPENSES									
Salaries and benefits	4,890	—	4,890	4,353	—	4,353	4,041	—	4,041
Scholarships and fellowships	58	—	58	10	—	10	27	—	27
Utilities	53	—	53	53	—	53	55	—	55
Supplies and materials	797	—	797	674	—	674	628	—	628
Depreciation and amortization	364	—	364	348	—	348	334	—	334
Interest expense	—	139	139	—	119	119	—	120	120
Other expenses	1,096	—	1,096	1,059	7	1,066	927	6	933
Expenses associated with core activities	**7,258**	**139**	**(7,397)**	**6,497**	**126**	**6,623**	**6,012**	**126**	**6,138**
Income (loss) from core activities	**(1,363)**	**860**	**(503)**	**(917)**	**755**	**(162)**	**(1,082)**	**712**	**(370)**
OTHER NONOPERATING ACTIVITIES									
Net appreciation (depreciation) in fair value of investments			(103)			105			402
Income (loss) before other changes in net position			**(606)**			**(57)**			**32**
OTHER CHANGES IN NET POSITION									
State capital appropriations			1			9			12
Capital gifts and grants			38			16			94
Permanent endowments			484			52			16
Transfers to (from) core activities			(451)			43			242
Increase (decrease) in net position			**(534)**			**63**			**396**
NET POSITION									
Beginning of year, as previously reported			2,043			1,980			4,531
Cumulative effect of accounting change			—			—			(2,947)
Beginning of year, as restated			2,043			1,980			1,584
End of year			**$1,509**			**$2,043**			**$1,980**

REVENUES SUPPORTING CORE ACTIVITIES

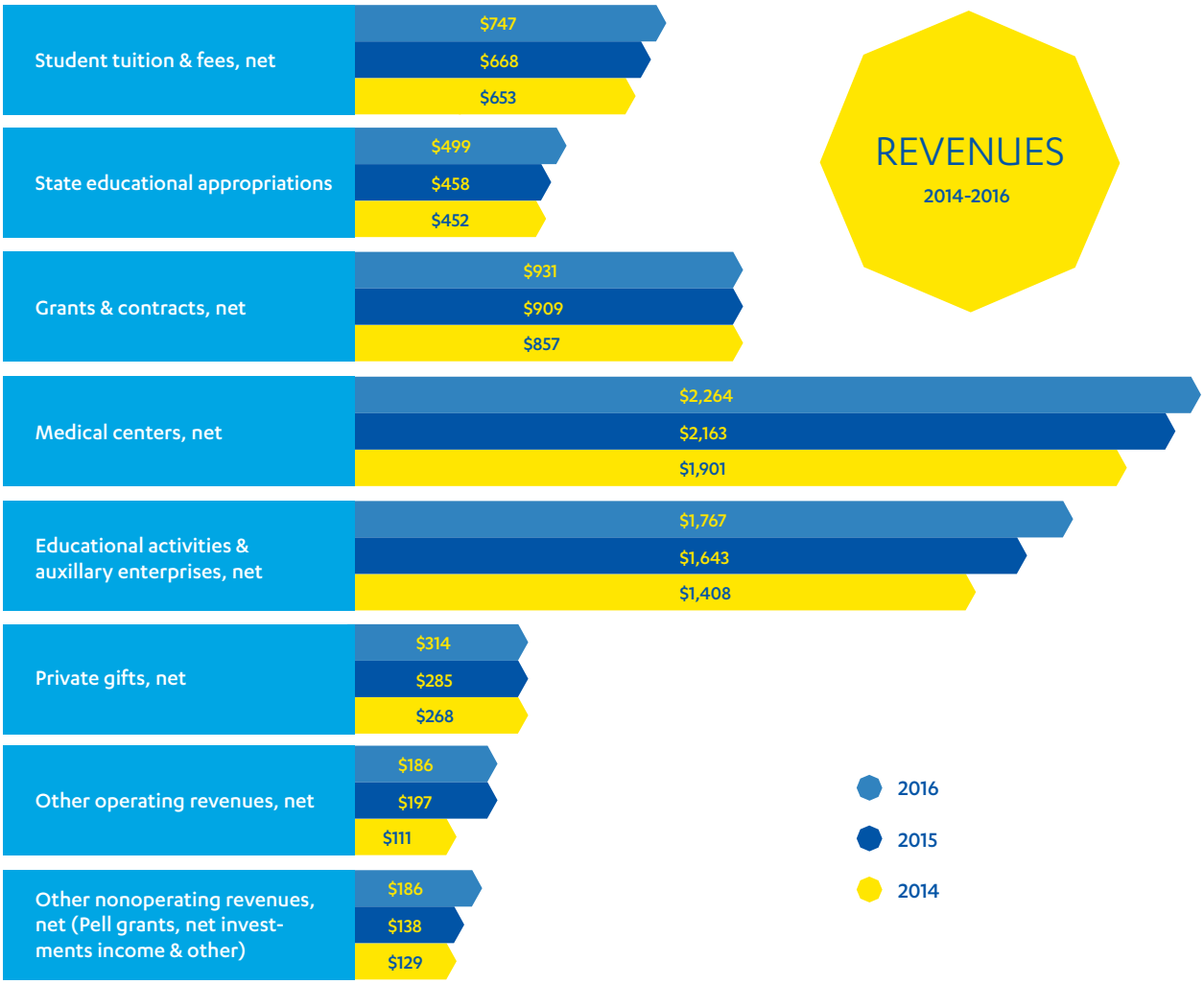
Revenues to support UCLA's core activities, including those classified as nonoperating revenues, were $6.9 billion and $6.5 billion in 2016, and 2015, respectively. These diversified sources of revenue increased by $433 million in 2016 and $681 million in 2015.

The State of California's educational appropriations, in conjunction with student tuition and fees, are the core components that support the instructional mission of UCLA. Grants and contracts provide opportunities for undergraduate and graduate students to participate in basic research alongside some of the most prominent researchers in the country.

Gifts to the campus allow crucial flexibility to faculty for support of their fundamental activities or new academic initiatives. Other significant revenues are from the UCLA Health System, educational activities and auxiliary enterprises such as student housing, food services operations and parking.

Revenues in the various categories have increased and decreased over the last year as follows:

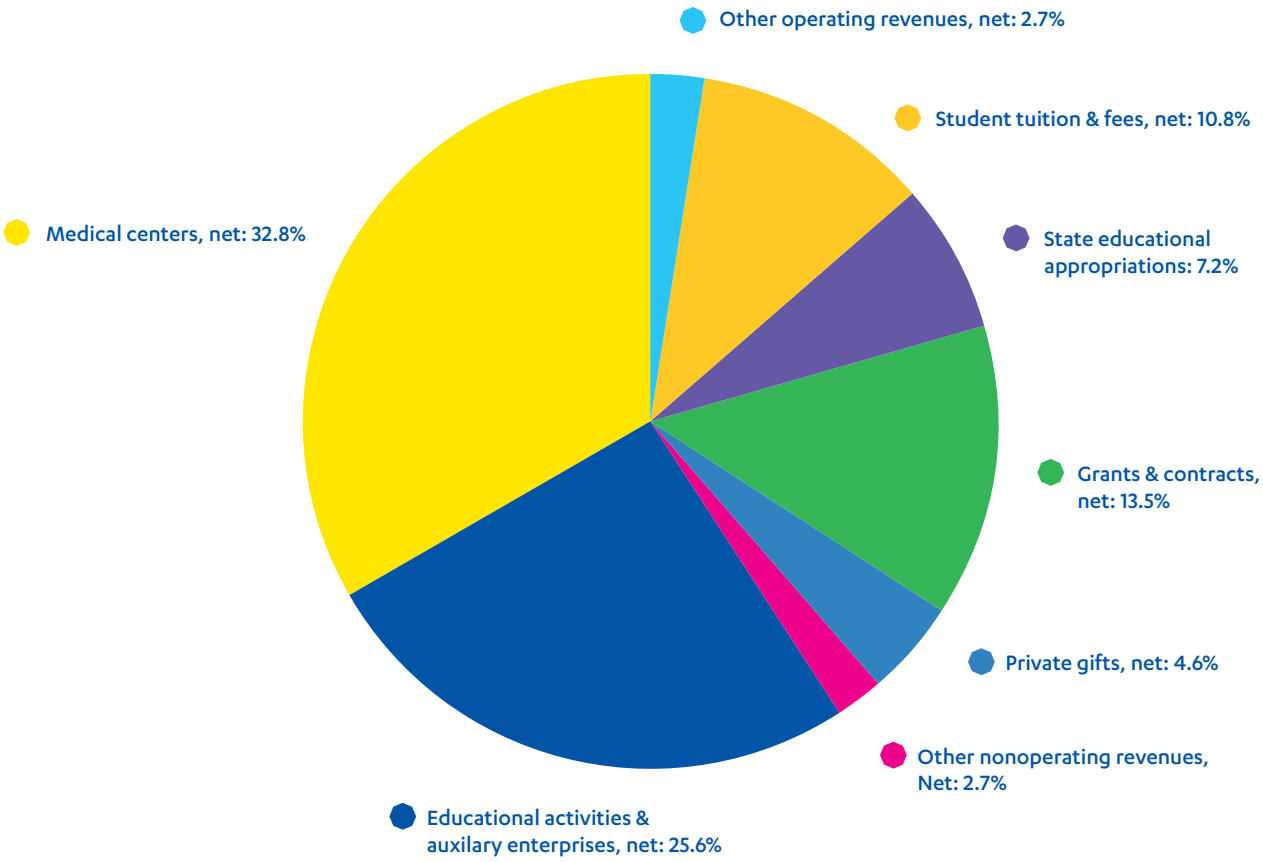
Revenues (dollars in millions)



A major financial strength of UCLA includes a diverse source of revenues, including those from student fees, federally sponsored grants and contracts, the medical center, the State of California, private support and self-supporting enterprises. The variety of fund sources has become increasingly important over the past several years.

Categories of both operating and nonoperating revenue that supported UCLA's core activities in 2016 are as follows:

2016 Revenues (percent of total)



Student tuition and fees, net

Net student tuition and fees were $747 million and $668 million in 2016, and 2015, respectively. Scholarship allowances, or financial aid, are the difference between the stated charge for tuition and fees and the amount that is paid by the student and third parties on behalf of the student and are reported as an offset to revenue. Scholarship allowances of $249 million and $294 million in 2016 and 2015, respectively, were netted against student tuition and fees. Student tuition and fees, net of scholarship allowances, increased by $79 million in 2016.

Student Tuition & Fees, Net

(dollars in millions)	**2016**	**2015**
Student tuition & fees	$855	$822
Summer sessions	49	49
University extension	92	91
Scholarship allowance	(249)	(294)
Total	**$747**	**$668**

In 2016, enrollment increased by 0.1 percent. Mandatory tuition and fees for resident undergraduates were not changed in 2016 and 2015. Certain nonresident undergraduates and resident and nonresident graduate students experienced increases in mandatory tuition and fees. Professional degree supplement tuition varies by discipline; no increases were approved for 2016 and 2015.

State educational appropriations

Educational appropriations from the State of California were $499 million and $458 million in 2016 and 2015, respectively. State education appropriations increased in 2016 and 2015 by $41 million and $6 million, respectively.

The budget framework agreed to with the governor called for base budget adjustments of four percent annually over the next four years, through 2019 for the University system-wide. The framework also called for no tuition increases in 2016 and 2017, with tuition increases generally pegged to the rate of inflation beginning in 2018. The student service fee increased five percent in 2016 and each year thereafter, with the customary one-third of the increase being directed to financial aid. The framework also acknowledged the University's plan to increase nonresident supplemental tuition by up to eight percent for 2016 and 2017 and five percent thereafter. The framework recognized the increases in professional degree supplemental tuition approved by The Regents in November 2014 for existing and new programs and called for no increases in law school tuition for the next four years. The framework provided $25.0 million in one-time funding for deferred maintenance and $96.0 million in one-time funds for UCRP system-wide in 2016.

State educational appropriations increased in 2015 as a result of tax initiatives approved by the voters of California in November 2012. In connection with the passage of these tax initiatives, the University did not raise tuition from 2013 to 2016.

UCLA's share of the University's state educational appropriations is based on a system-wide formula designed to provide the various campuses an appropriate share of the funds. Over the past several years, the University has undergone an effort to redistribute more of these funds to other campuses resulting in UCLA receiving a lessor percentage of the increase in funds.

Grants and contracts, net

Revenues from federal, state, private and local government grants and contracts—including an overall facilities and administration cost recovery of $183 million and $182 million in 2016 and 2015, respectively—were $931 million and $909 million in 2016 and 2015, respectively.

Grants & Contracts

(dollars in millions)	2016	2015
Federal government	$586	$584
State agencies	47	53
Private industries	232	211
Local government	66	61
Total	**$931**	**$909**

In 2016, federal grants and contracts revenue increased by $2 million, or 0.3 percent as compared to 2015. In 2015, federal grants and contracts revenue increased by $26 million, or 4.7 percent as compared to 2014. Federal grants and contracts include federal facilities and administrative cost recovery of $137 million and $134 million in 2016 and 2015, respectively. Expiring federal grants and federal budget cuts have slowed UCLA's growth in federal grants and contracts.

Medical Center, net

Medical center revenues, including state hospital fee grants and net of allowances, increased by $99 million, or 4.6 percent in 2016 and increased by $266 million, or 14.0 percent in 2015. Revenues increased in 2016 due to an increase in third-party settlements, higher inpatient volume and additional supplemental funding. Revenues increased in 2015 due to additional supplemental funding, a reduction in bad debt provision and additional revenue for positive settlements with the government regarding Medicare claims. In response to health care reform and increasing employee costs, the medical center continues to invest in expanding services.

Educational activities and auxiliary enterprises, net

Revenue from educational activities, primarily medical professional fees, net of allowances, increased by $108 million, or 8.6 percent in 2016 and $205 million, or 19.4 percent in 2015.

The growth is generally associated with an expanded patient base and improved collections.

Sales from auxiliary enterprises, including on-campus student housing, off-campus housing, intercollegiate athletics, ASUCLA's bookstore and parking services, increased by $16 million, or 4.3 percent in 2016 and $29 million, or 8.3 percent in 2015. The growth is generally associated with an increase in housing occupancy and rates in 2016 and 2015, and an increase in intercollegiate athletics event ticket sales in 2015.

Private gifts

Private gifts revenue, considered nonoperating revenue, either comes directly from the donor or is held by The UCLA Foundation or Jonsson Cancer Center Foundation until transferred to the campus for use.

These funds generally are restricted to uses designated by the donor. In 2016, revenues totaled $314 million, representing a $29 million increase from 2015. Approximately 67.0 percent of these gifts came through The UCLA Foundation for various campus needs. The largest gift received by the campus during 2016 was for the Wooden Athletic Fund and during 2015 was for the Division of Digestive Diseases.

EXPENSES ASSOCIATED WITH CORE ACTIVITIES

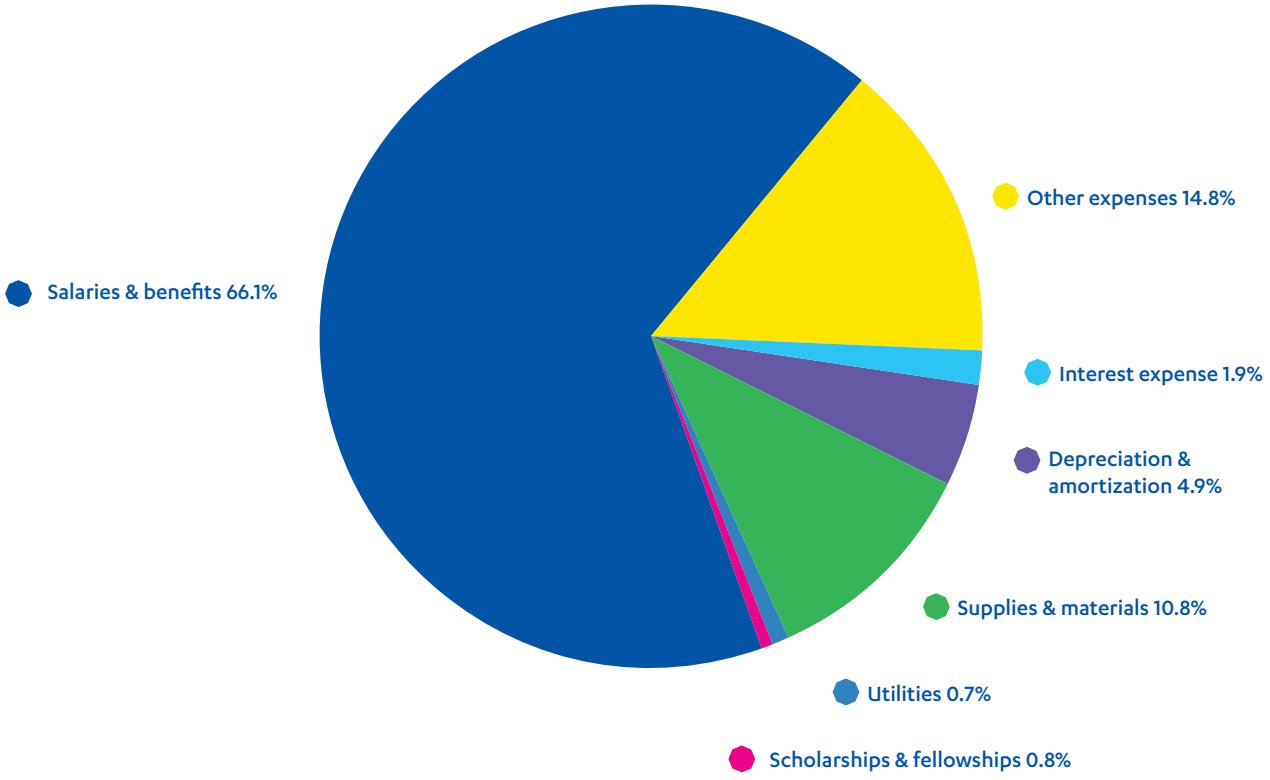
UCLA's expenses associated with core campus activities, including those classified as nonoperating expenses, were $7.4 billion and $6.6 billion in 2016 and 2015, respectively. Expenses increased in 2016 by $775 million primarily due to a $537 million increase in salaries and benefits expenses, $123 million of higher supplies and materials expenses, and $37 million of higher other operating expenses.

Expenses in the various categories are as follows: (fig.02)

(fig.02) **Expenses (dollars in millions)**

The categories of both operating and nonoperating expenses related to UCLA's core activities in 2016 are as follows:

2016 Expenditures (percent of total)



Salaries and benefits

Approximately 66.1 percent of UCLA's expenses were related to salaries and benefits. There were 34,109 full-time-equivalent (FTE) employees in UCLA in 2016.

Salaries and benefits increased 12.3 percent in 2016 due to growth in UCLA's operations. In 2016, salaries increased 7.5 percent, 3.0 percent due to an increase in the number of FTE and 4.5 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by 7.8 percent in 2016, due to higher health insurance costs. Pension expense increased by $252 million or 72.3 percent due to lower than expected investment returns.

Salaries and benefits increased 7.7 percent in 2015 due to growth in UCLA's operations. In 2015, salaries increased 7.9 percent, 3.2 percent due to an increase in the number of FTEs and 4.6 percent due to an increase in the average salary per FTE. Employee benefits, excluding pension and post-retirement health care benefits, increased by 8.2 percent in 2015, due to higher health insurance costs. Pension expense increased by 6.8 percent due to lower than expected investment returns and assumption changes.

Scholarships and fellowships

UCLA places a high priority on student financial aid as part of its commitment to affordability. Scholarship allowances, representing financial aid and fee waivers awarded by UCLA, were $301 million and $350 million in 2016 and 2015, respectively. Scholarship and fellowships, representing payments and reported as an operating expense were $359 million in 2016 and 2015. On a combined basis, as UCLA continues its commitment to provide financial aid support for needy students, financial aid in all forms increased by $49 million, or 13.9 percent in 2016 as compared to 2015.

Supplies and materials

During 2016 and 2015, supplies and materials increased by $123 million, or 18.2 percent, and $46 million, or 7.4 percent, respectively. The largest increases occurred at the medical centers due to higher patient volumes. In recent years, there has been inflationary pressure on the costs for medical supplies and laboratory instruments and higher costs for general supplies necessary to support expanded research activity and increased medical patient volumes. UCLA continues to find opportunities to manage the costs of supplies and materials.

Other expenses

Other expenses consist of a variety of expense categories, including travel, rent, insurance, repairs and maintenance, plus any gain or loss on the disposal of capital assets and other nonoperating expenses. Other expenses increased by $31 million in 2016.

Operating losses

In accordance with the GASB's reporting standards, operating losses were $1.4 billion and $0.9 billion in 2016 and 2015, respectively. The operating loss in 2016 and 2015 were partially offset by $999 million and $881 million, respectively, of net non-operating revenue that clearly supports core operating activities of the University. Expenses associated with core activities in 2016 and 2015 exceeded revenue available to support core activities by $503 million and $162 million, respectively.

Other nonoperating activities

UCLA's other nonoperating activities, consisting of net appreciation or depreciation in the fair value of investments, are noncash transactions and, therefore, are not available to be used to support operating expenses. In 2016, UCLA recognized net depreciation in the fair value of investments of $103 million, as compared to net appreciation of $105 million in 2015. The University's portfolio experienced declines in 2016 principally due to declines in the equity markets, as compared to a positive performance in previous years due to returns in both the equity and bond markets.

Other changes in net position

Similar to the other nonoperating activities discussed above, other changes in net position are also not available to support UCLA's operating expenses in the current year. State capital appropriations and capital gifts and grants may only be used for the purchase or construction of the specified capital assets. Only income earned from gifts of permanent endowments is available in future years to support the specified program. UCLA's enrollment growth requires new facilities, in addition to continuing needs for renewal, modernization and seismic correction for existing facilities. Capital appropriations, representing proceeds from bond measures approved by California voters decreased by $8 million and $3 million in 2016 and 2015, respectively. Capital gifts and grants increased by $21 million in 2016 and decreased by $78 million in 2015.

THE CAMPUS' CASH FLOWS

The statement of cash flows presents the significant sources and uses of cash. A summary comparison of cash flows for 2016 and 2015 is as follows:

The Campus' Cash Flows

Cash flows *(dollars in millions)*	**2016**	**2015**	**Change**
Cash received from operations	$5,951	$5,577	$374
Cash payments for operations	(6,316)	(5,792)	(524)
Net cash used by operating activities	**(365)**	**(215)**	**(150)**
Net cash provided by noncapital financing activities	1,472	833	639
Net cash provided by operating and noncapital financing activities	**1,107**	**618**	**489**
Net cash provided (used) by capital and related financing activities	(507)	(482)	(25)
Net cash provided (used) by investing activities	(557)	6	(563)
Net increase (decrease) in cash and cash equivalent	**43**	**142**	**(99)**
Cash and cash equivalent, beginning of year	913	771	142
Cash and cash equivalent, end of year	**$956**	**$913**	**$43**

UCLA's cash in demand-deposit accounts is minimized by sweeping available cash balances into investment accounts managed by the Office of the President on a daily basis. Cash provided by operating and noncapital financing activities ranged between $1.1 billion and $618 million for the last two years. In accordance with GASB requirements, certain cash flows relied upon for fundamental operational support of the core instruction mission of the campus are reported as noncapital financing activities, including state educational appropriations, private gifts and grants, and investment income.

Net cash of $507 million was used in 2016 for capital and related financing activities, primarily for purchases of capital assets and principal and interest payments, partially offset by sources that include new external financing, state and federal capital appropriations, and gifts for capital purposes.

The year-to-year change in cash provided (used) by investing activities is largely the result of routine timing of investment purchases, sales and, to a lesser extent, investment income.

LOOKING FORWARD

UCLA, as part of the University of California system, is a world center of learning, known for generating a steady stream of talent, knowledge and social benefits, and has always been at the center of California's capacity to innovate. The excellence of its programs attracts the best students, leverages hundreds of millions of dollars in state, federal and private funding and promotes the discovery of new knowledge that fuels economic growth.

The budget framework agreed to with the governor provides the University with base budget adjustments of four percent annually from 2016 through 2019. The framework also calls for no tuition increases in 2016 and 2017, with tuition increases generally pegged to the rate of inflation beginning in 2018. The Student Services Fee increased five percent in 2016 and each year thereafter with

the customary one-third of the increase being directed to financial aid. Fifty percent of the remaining revenue generated from the increase will be used to enhance student mental health services and the remaining 50.0 percent will be distributed to support other student services programs. The framework also acknowledges the University's plan to increase nonresident supplemental tuition by up to eight percent in 2016 and 2017 and five percent thereafter. The framework also recognized the increases in professional degree supplemental tuition approved by The Regents in November 2014 for existing and new programs and calls for no increases in law school tuition through 2019. In addition to these funding elements, the budget framework includes a number of performance-related provisions.

UCLA remains highly competitive in attracting federal grants and contracts revenue, with fluctuations in the awards received closely paralleling trends in the budgets of federal research granting agencies. Over eighty percent of the University's federal research awards come from two agencies: the Department of Health and Human Services, primarily through the National Institutes of Health, and the National Science Foundation. Other agencies that figure prominently in the University's awards are the Department of Education, the Department of Defense, the National Aeronautics and Space Administration, the Department of Veteran Affairs, and the Department of Energy. The University is a unique national resource for helping the nation address competitiveness and economic initiatives.

Effective July 1, 2016, UCRP was amended to provide a new tier of pension benefits applicable to eligible employees hired (or becoming eligible), on or after July 1, 2016. The new tier would provide future UC employees a choice between two retirement benefits options (1) the current UCRP pension benefit capped at the California Public Employees' Pension Reform Act (PEPRA) salary limit (currently $117,020) plus a supplemental contribution for eligible employees to a defined contribution plan on pay up to the Internal Revenue Service limit (currently $265,000); or (2) a defined contribution benefit option for eligible employee pay up to the Internal Revenue Service limit (currently $265,000). Under the budget framework, the University will receive $438 million in one-time funds for UCRP as a result of making these benefit changes. The funds are being paid over three years, $96 million was received in 2016, and $171 million each year in 2017 and 2018

Currently, the University does not pre-fund retiree health benefits and provides for benefits on a pay-as-you-go basis. The unfunded liability for the campus and medical center as of the July 1, 2016 actuarial valuation was $5.2 billion based upon using a discount rate of 2.85 percent. The University's retiree health benefit obligations reported in the financial statements are expected to increase as a result of new accounting pronouncements that will be effective in the future.

The UCLA Health System has a positive operating margin, although it continues to face financial and competitive challenges in its regional market, along with the added costs and responsibilities related to it's function as an academic institution. The demand for health care services and the cost of providing them continue to increase significantly. In addition to the rising costs of salaries, benefits and medical supplies faced by hospitals across the state, along with the costs of maintaining and upgrading facilities, UCLA's medical center also faces additional costs associated with new technologies, biomedical research, the education and training of health care professionals and the care for a disproportionate share of the medically underserved in California. Other than Medicare and Medi-Cal (California's Medicaid program), health insurance payments do not recognize the added cost of teaching in their payment to academic medical centers. The growth in costs of the publicly funded programs and health care reform will likely continue to reduce rates or limit payment growth, placing downward pressure on operating results for the medical center.

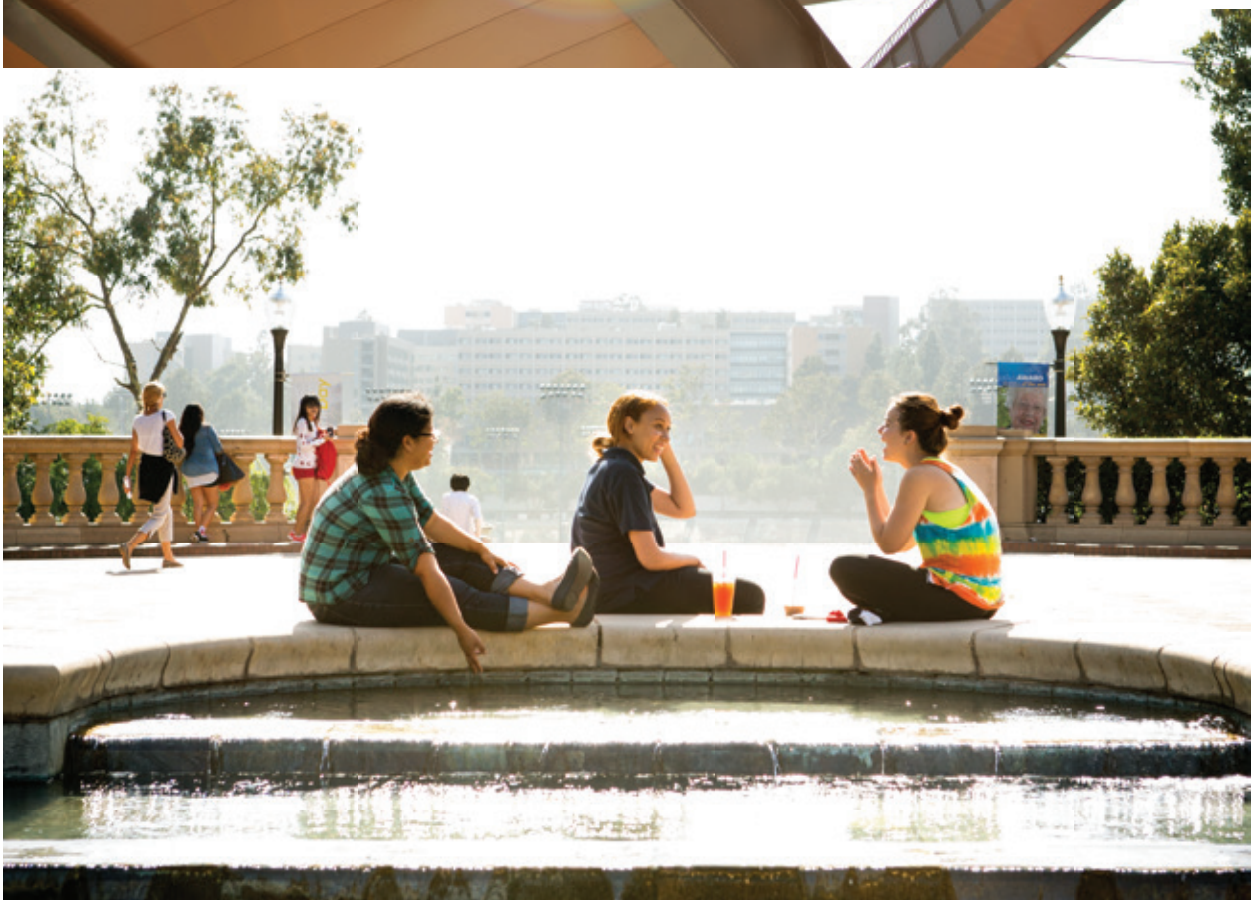
UCLA must have a balanced array of many categories of facilities to meet its education, research and public service goals and continues to assess its long-term capital requirements. Support for UCLA's capital program is expected to be provided from a combination of sources, including the State of California, external financing, gifts and other sources.

Additional budget information can be found at http://universityofcalifornia.edu/news/budget/welcome.html. Additional information concerning state budget matters and the state's financial condition may be found on the website of the California Department of Finance at http://www.dof.ca.gov

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by UCLA, including written as outlined above or oral statements made by its representatives, may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that UCLA expects or anticipates will or may occur in the future, contain forward-looking information.

In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. UCLA does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.



UNIVERSITY
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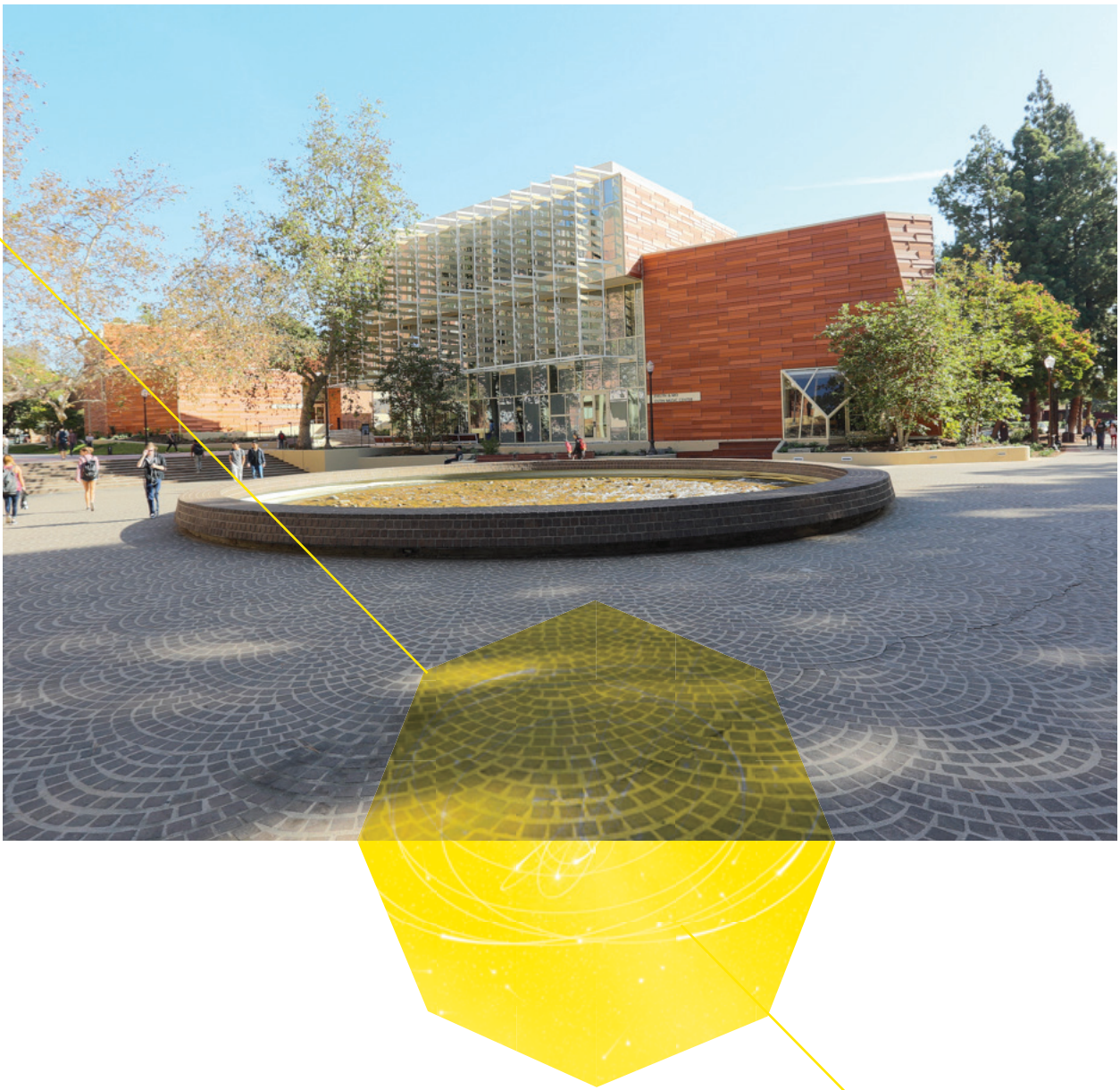
CALIFORNIA

UCLA

TRANSMITTAL LETTER



The accompanying Financial Statements reflect the financial position and the results of operations of the University of California, Los Angeles (UCLA), for the fiscal years ended June 30, 2015 and 2016.

The UCLA Financial Statements are not individually audited, but rather are audited as part of the Consolidated Annual Financial Report of the University of California by the firm of PricewaterhouseCoopers, LLP, whose report is transmitted to The Regents.

The accompanying Financial Statements and Management's Discussion and Analysis detail only local campus activity. This separate UCLA Annual Financial Report, while not separately audited, is prepared from the official University of California records and accounts, which are maintained in accordance with the standards prescribed by the Governmental Accounting Standards Board (GASB).

In compliance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units, the financial activity of the legally separate, tax-exempt UCLA Foundation and the Jonsson Cancer Center Foundation can be found discretely recorded on the campus' financial statements under a separate column titled "Foundations."

Respectfully submitted,

Allison Baird-James
Associate Vice Chancellor/Controller
Corporate Financial Services
January 4, 2017

Box Office

FINANCIAL STATEMENTS

UNIVERSITY OF CALIFORNIA, LOS ANGELES
STATEMENTS OF NET POSITION (unaudited) At June 30, 2016 and 2015

	Campus		Foundation	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**
ASSETS				
Cash	$20,974	$26,240	$5,576	$4,098
Short-term investments	935,095	886,795	299,346	286,046
Investments held by trustees	172	163	—	—
Accounts receivable, net	714,134	756,575	32,538	51,323
Pledges receivable, net	4,924	8,399	96,554	76,539
Notes and mortgages receivable, net	5,889	6,954	—	—
Inventories	54,318	54,334	—	—
Other current assets	58,601	130,166	—	—
Current Assets	**1,794,107**	**1,869,626**	**434,014**	**418,006**
Investments	4,862,288	4,241,799	1,862,426	1,883,535
Investments held by trustees	746	744	—	—
Pledges receivable, net	7,867	9,474	378,340	370,392
Notes and mortgages receivable, net	75,435	76,742	—	—
Capital assets, net	6,067,286	5,891,216	—	—
Other noncurrent assets	32,064	33,110	9,327	9,539
Noncurrent assets	**11,045,686**	**10,253,085**	**2,250,093**	**2,263,466**
Total Assets	**12,839,793**	**12,122,711**	**2,684,107**	**2,681,472**
DEFERRED OUTFLOW OF RESOURCES	**1,318,723**	**1,333,119**	**—**	**—**
Liabilites				
Accounts payable	398,822	352,623	7,229	7,505
Accrued salaries and benefits	247,613	300,687	—	—
Deferred revenue	296,263	263,399	—	—
Commercial paper	124,687	237,086	—	—
Current portion of long-term debt	215,074	199,325	—	—
Funds held for others	—	—	230,724	227,244
Other current liabilities	136,332	121,595	3,852	4,655
Current liabilities	**1,418,791**	**1,474,715**	**241,805**	**239,404**
Federal refundable loans	63,091	63,095	—	—
Obligations under life income agreements	—	—	29,430	31,641
Long-term debt	3,315,363	3,117,943	—	—
Net pension liability	3,381,245	2,407,281	—	—
Pension payable to UCOP	800,565	666,589	—	—
Obligation for retiree health benefits	2,518,716	2,277,115	—	—
Other noncurrent liabilities	340,365	220,556	—	—
Noncurrent liabilities	**10,419,345**	**8,752,579**	**29,430**	**31,641**
Total liabilities	**11,838,136**	**10,227,294**	**271,235**	**271,045**
DEFERRED INFLOW OF RESOURCES	**811,385**	**1,185,356**	**1,460**	**1,428**
NET POSITION				
Net investment in capital assets	2,759,389	2,807,653	—	—
Restricted:				
Nonexpendable: endowments	265,828	258,533	1,000,954	948,788
Nonexpendable: Annuity and life income funds	72	76	10,134	12,964
Expendable: endowments and gifts	2,013,510	1,581,456	1,314,855	1,345,935
Expendable: other including endowment income, debt service, loans, capital projects, and appropriations	441,897	7,434	18,638	20,848
Unrestricted	**(3,971,701)**	**(2,611,972)**	**66,831**	**80,464**
Total net position	**$1,508,995**	**$2,043,180**	**$2,411,412**	**$2,408,999**

See accompanying Notes to Financial Statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (unaudited) Years Ended June 30, 2016 and 2015

	Campus		Foundation	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**
OPERATING REVENUES				
Student tuition and fees, net	$746,857	$668,355	$ —	$ —
Grants and contracts, net:				
Federal	586,208	584,471	—	—
State	47,427	52,738	—	—
Private	231,601	210,735	—	—
Local	65,465	60,892	—	—
Medical centers, net	2,264,490	2,162,899	—	—
Educational activities, net	1,370,956	1,262,847	—	—
Auxiliary enterprises, net	395,779	379,457	—	—
Campus Foundation private gifts			258,482	197,739
Other operating revenues, net	186,658	197,275	54	68
Total operating revenues	**5,895,441**	**5,579,669**	**258,536**	**197,807**
OPERATING EXPENSES				
Salaries and wages	3,278,080	3,050,242	—	—
Pension benefits	600,983	348,849	—	—
Retiree health benefits	342,370	333,853	—	—
Other employee benefits	668,657	620,392	—	—
Supplies and materials	796,932	674,222	—	—
Depreciation and amortization	364,284	347,899	—	—
Scholarships and fellowships	58,291	9,593	—	—
Utilities	53,216	53,364	—	—
Campus foundation grants	—	—	229,011	247,933
Other operating expenses	1,095,246	1,058,081	34,887	1,940
Total operating expenses	**7,258,059**	**6,496,495**	**263,898**	**249,873**
Operating loss	**(1,362,618)**	**(916,826)**	**(5,362)**	**(52,066)**
NONOPERATING REVENUES (EXPENSES)				
State educational appropriations	499,582	457,944	—	—
State financing appropriations	—	40	—	—
Build America Bonds federal interest subsidies	10,361	10,305	—	—
State hospital fee grant	1,594	4,228	—	—
Federal Pell Grants	49,564	49,574	—	—
Private gifts, net	314,330	284,517	—	—
Investment income:				
Short Term Investment Pool, net	63,543	60,314	—	—
Endowment, net	10,050	12,619	—	—
Foundation	—	—	14,301	25,463
Net appreciation (depreciation) in fair value of investments	(102,836)	105,079	(77,469)	75,659
Interest expense	(138,817)	(118,754)	—	—
Gain (loss) on disposal of capital assets	2,039	(6,651)	—	—
Other nonoperating revenues (expenses)	47,771	676	805	3,470
Net nonoperating revenues (expenses)	**757,181**	**859,891**	**(62,363)**	**104,592**
Gain (loss) before other changes in net position	**(605,437)**	**(56,935)**	**(67,725)**	**52,526**
OTHER CHANGES IN NET POSITION				
Permanent endowments	483,930	52,086	70,138	66,981
Capital gifts and grants	37,492	16,205	—	—
State capital appropriations	1,361	9,325	—	—
Transfers	(451,531)	42,910	—	—
Increase (decrease) in net position	**(534,185)**	**63,591**	**2,413**	**119,507**
NET POSITION				
Beginning of year	2,043,180	1,979,589	2,408,999	2,289,492
End of year	**$1,508,995**	**$2,043,180**	**$2,411,412**	**$2,408,999**

See accompanying Notes to Financial Statements

TRANSFERS (unaudited) Years ended June 30, 2016 and 2015

	Campus	
(dollars in thousands)	**2016**	**2015**
Due From Retirement of Indebtedness	$34,233	$ 7
Due from (to) Intercampus	366,850	(50,350)
Unexpended Plant	(10,580)	(44,331)
Retirement of indebtedness	61,665	51,813
Investment in Plant:		
Intrafund Transfer Assets	(511)	83
Intrafund Transfer Depreciation	10	—
Loan	(136)	(132)
Total Transfers	**$451,531**	**($42,910)**

See accompanying Notes to Financial Statements

STATEMENTS OF CASH FLOWS (unaudited) Years ended June 30, 2016 and 2015

	Campus		Foundation	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**
CASH FLOWS FROM OPERATING ACTIVITIES				
Student tuition and fees	$742,669	$671,864	$ —	$ —
Grants and contracts	973,976	906,499	—	—
Medical centers	2,250,907	2,177,628	—	—
Educational activities	1,400,040	1,259,606	—	—
Auxiliary enterprises, net	404,131	381,773	—	—
Collection of loans from students and employees	12,279	12,885	—	—
Private gifts received by Foundations	—	—	203,597	197,160
Payments to employees	(3,299,528)	(3,019,816)	—	—
Payments for pension benefits	(358,809)	(330,063)	—	—
Payments for retiree health benefits	(72,215)	(60,742)	—	—
Payments for other employee benefits	(670,185)	(619,753)	—	—
Payments to suppliers and utilities	(1,847,179)	(1,740,525)	—	—
Payments for scholarships and fellowships	(58,291)	(9,593)	—	—
Loans issued to students and employees	(9,414)	(11,750)	—	—
Foundation operating expenses and grants to campus	—	—	(264,115)	(249,686)
Other receipts (payments)	166,726	166,598	(2,245)	(2,485)
Net cash provided (used) by operating activities	**(364,893)**	**(215,389)**	**(62,763)**	**(55,011)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
State educational appropriations	499,582	457,944	—	—
Federal Pell Grant	49,564	49,574	—	—
State hospital fee grant	1,594	4,228	—	—
Gifts received for other than capital purposes:				
Private gifts for endowment purposes	—	—	59,081	38,028
Other private gifts	319,231	281,580	—	—
Other receipts (payments)	570,026	(21,513)	—	—
Transfers - intercampus	31,878	61,596	—	—
Net cash provided by noncapital financing activities	**1,471,875**	**833,409**	**59,081**	**38,028**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Commercial paper financing				
Proceeds from issuance	90,023	101,616	—	—
Payments of principal	(202,422)	(72,339)	—	—
Interest paid	(895)	(311)	—	—
State capital appropriations	1,693	10,446	—	—
State financing appropriations	—	40	—	—
Build America Bonds federal interest subsidies	10,364	10,306	—	—
Capital gifts and grants	37,657	36,481	—	—
Proceeds from debt issuance	309,191	477,173	—	—
Proceeds from the sale of capital assets	30,879	—	—	—
Proceeds from Insurance Recoveries	—	10,000	—	—
Purchases of capital assets	(494,387)	(484,398)	—	—
Refinancing/prepayment of outstanding debt	(18,331)	(311,371)	—	—
Principal paid on debt and capital leases	(66,655)	(65,745)	—	—
Interest paid on debt and capital leases	(141,318)	(134,006)	—	—
Transfers	(62,692)	(60,488)	—	—
Net cash used by capital and related financing activities	**(506,893)**	**(482,596)**	**—**	**—**
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases and proceeds from sales and maturities of investments	(620,598)	(53,822)	(8,846)	4,490
Investment income, net of investment expenses	63,543	60,314	14,006	13,986
Net cash provided (used) by investing activities	**(557,055)**	**6,492**	**5,160**	**18,476**
Net increase in cash and cash equivalents	**43,034**	**141,916**	**1,478**	**1,493**
Cash and cash equivalents, beginning of year	913,035	771,119	4,098	2,605
Cash and cash equivalents, end of year	**$956,069**	**$913,035**	**$5,576**	**$4,098**

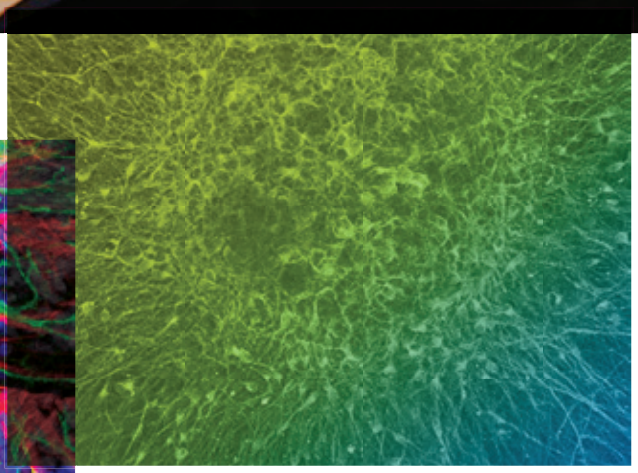
See accompanying Notes to Financial Statements

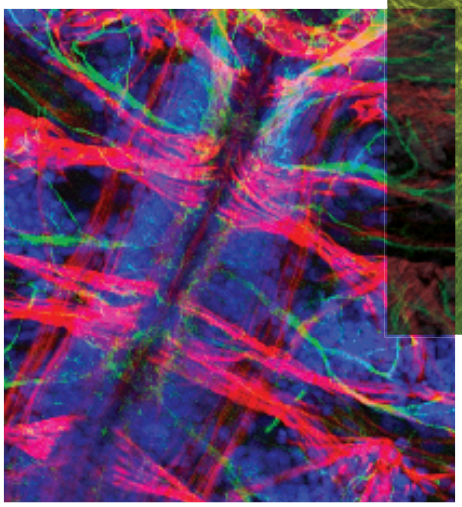
STATEMENTS OF CASH FLOWS (CONTINUED) Years ended June 30, 2016 and 2015

	Campus		Foundation	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	$(1,362,618)	$(916,826)	$(5,362)	$(52,066)
Adjustments to reconcile operating loss to net cash used by operating activities:			—	—
Depreciation and amortization expense	364,284	347,899	—	—
Noncash gifts	—	—	(26,738)	(11,502)
Allowance for uncollectible accounts	26,010	30,228	(1,215)	(6,848)
Loss on impairment of capital assets	3,712	4,124	—	—
Change in assets and liabilities:	—	—	—	—
Accounts receivable	54,551	13,788	819	1,403
Pledges receivable	—	—	(26,748)	15,342
Investments held by trustees	(9)	(3)	—	—
Inventories	16	1,424	—	—
Deferred charges	(8,865)	1,700	—	—
Accounts payable	44,163	(2,210)	(229)	205
Accrued salaries and benefits	(53,075)	(177,647)	—	—
Unearned revenue	32,864	(377)	—	—
Annuities payable	—	—	(1,423)	(2,109)
Liabilities to life beneficiaries	—	—	(1,899)	(864)
Net pension liability	250,023	205,691	—	—
Obligations for retiree health benefits	270,191	273,130	—	—
Other liabilities	13,860	3,690	32	1,428
Net cash provided (used) by operating activities	**$(364,893)**	**$(215,389)**	**$(62,763)**	**$(55,011)**
SUPPLEMENTAL NONCASH ACTIVITIES INFORMATION				
Capital assets acquired through capital leases	$49,235	$747	$ —	$ —
Change in fair value of interest rate swaps classified as hedging derivatives	(28,227)	(7,255)	—	—
Gifts of capital assets	23,454	1,688	—	—
Gifts of securities and real property – operating	—	—	26,738	727
Gifts of securities and real property – for endowment purposes	—	—	11,057	39,728
Interest added to principal	$ —	$ —	$842	$11,213

See accompanying Notes to Financial Statements

DISCOVERY





NOTES TO FINANCIAL STATEMENTS

Years ended June 30, 2016 and 2015

ORGANIZATION

The University of California (the University) was founded in 1868 as a public, state-supported institution. The California State Constitution provides that the University shall be a public trust administered by the corporation "The Regents of the University of California," which is vested with full powers of organization and government, subject only to such legislative control necessary to ensure the security of its funds and compliance with certain statutory and administrative requirements. The majority of the 26-member independent governing board (The Regents) is appointed by the governor and approved by the state Senate. Various University programs and capital outlay projects are funded through appropriations from the state's annual Budget Act. The University's financial statements are discretely presented in the state's financial statements as a component unit. The Los Angeles campus of the University of California (UCLA) was founded in 1919 and is financially the largest campus in the 10-campus University of California system.

FINANCIAL REPORTING ENTITY AND SIGNIFICANT ACCOUNTING PRINCIPLES

Financial Reporting Entity.

UCLA's financial statements included in this annual report present the combined activities of the Los Angeles campus, including the UCLA Medical Center. The University of California system is subjected to an annual audit of the consolidated financial statements, of which UCLA is a part. The financial statements for the Los Angeles campus have not been individually audited.

The Associated Students of UCLA (ASUCLA)'s financial data for the fiscal years ended June 30, 2016 and 2015 has been included in the financial statements as The Regents have certain fiduciary responsibilities for the organization. ASUCLA conducts activities on the UCLA campus pursuant to the Statement of Understanding of ASUCLA's Relationship with the University, dated June 28, 1974.

The UCLA Foundation is a nonprofit, public-benefit corporation organized for the purpose of accepting and administering the full range of private contributions for the campus. The Jonsson Cancer Center Foundation is a 501(c)3 organization established for the purpose of encouraging voluntary private gifts for the benefit of the Jonsson Comprehensive Cancer Center at UCLA. Because of the nature and significance of their relationship with UCLA, including their ongoing financial support, these foundations are reported under Governmental Accounting Standards Board (GASB) requirements as discretely presented component units of UCLA.

Organizations related to UCLA for which the University is not financially accountable, such as booster and alumni organizations, are not included in the financial entity. However, cash invested with the UCLA Foundation by these organizations, along with the related liability, is included in the statement of net position. The statement of revenues, expenses and changes in net position excludes the activities associated with these organizations.

Significant Accounting Policies.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, using the economic resources measurement focus and the accrual basis of accounting. The University follows accounting principles issued by the Governmental Accounting Standards Board (GASB).

In February 2015, the GASB issued Statement No. 72,*Fair Value Measurement and Application*, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes standards for accounting and financial reporting for fair value measurements. The Statement requires investments to be measured at fair value and permits the use of net asset value as the fair value when an investment does not have a readily determinable fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Implementation of Statement No. 72 resulted in additional disclosures of investments and other assets reported as fair value within the fair value hierarchy.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and Amendments to Certain Provisions of GASB Statements 67 and 68, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes requirements for those pensions and pension plans that were not covered

by Statements 67 and 68, specifically those not administered through a trust meeting specified criteria. Implementation of Statement No. 73 had no impact on the financial statements for the years ended June 30, 2016 and 2015.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* effective for the University's fiscal year beginning July 1, 2015. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP from the four categories under GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The first category of authoritative GAAP consists of GASB Statements of Governmental Accounting Standards. The second category comprises GASB Technical Bulletins and Implementation Guides, as well as guidance from the American Institute of Certified Public Accountants that is cleared by the GASB. Implementation of Statement No. 76 had no impact on the financial statements for the years ended June 30, 2016 and 2015.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*, effective for the University's fiscal year beginning July 1, 2016. This Statement requires governments to disclose information about their own tax abatements separately from information about tax abatements that are entered into by other governments that reduce the reporting government's tax revenues. The purpose of this Statement is to increase transparency in regards to tax abatements governments enter into and make the impact of these agreements more apparent to users of the financial statements. Implementation of Statement No. 77 had no impact on the financial statements for the years ended June 30, 2016 and 2015.

In December 2015, the GASB issued Statement No. 79, *Certified External Investment Pools and Pool Participants*, effective for the University's fiscal year beginning July 1, 2015. This Statement establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. Implementation of Statement No. 79 had no impact on the financial statements for the years ended June 30, 2016 and 2015.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – An Amendment of GASB Statement No. 14,* was adopted by the University during the year ended June 30, 2016. Statement No. 80 amends the blending requirements established in paragraph 53 of amended Statement No. 14, *The Financial Reporting Entity*, for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations are Component Units – An Amendment of GASB Statement No. 14*. Implementation of Statement No. 80 had no impact on the UCLA financial statements for the years ended June 30, 2016 and 2015.

In April 2016, GASB issued Statement No. 82, *Pension Issues – An amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the University's fiscal year beginning July 1, 2016. The University has elected to early implement this Statement, effective July 1, 2015. The Statement clarifies or amends Statements No. 67, 68 and 73 and specifically addresses the issues of presentation of payroll related measures in required supplementary information, the selection of assumptions and the treatment of deviations from guidance in Actuarial Standards of Practice for financial reporting purposes, and classification of payments made by employers to satisfy plan member contribution requirements. Implementation of Statement No. 82 had no impact on the financial statements.

The significant accounting policies of UCLA are as follows:

Cash and cash equivalents.
UCLA considers all balances in demand deposit accounts to be cash. UCLA classifies all other highly liquid cash equivalents with original maturities less than one year, as short-term investments. The UCLA Foundation classifies its deposits in the University's Short Term Investment Pool as a cash equivalent.

Investments.
Investments are measured and recorded at fair value. Securities are generally valued at the last sale price on the

last business day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Securities for which no sale was reported as of the close of the last business day of the fiscal year are valued at the quoted bid price of a dealer who regularly trades in the security being valued. Investment in non-exchange traded debt and equity investments are valued using inputs provided by independent pricing services or by brokers/dealers who actively trade in these markets. Certain securities may be valued on a basis of a price provided by a single source.

Investments also include private equities, absolute return funds, real estate, real asset and certain corporate asset-backed securities. Private equities include venture capital partnerships, buyout and international funds. Fair values for interests in private equity, absolute return partnerships and real estate partnerships are based on valuations provided by the general partners of the respective partnerships. The valuations are primarily based on the net asset value (NAV) of the underlying investments. The NAV is reported by the external investment managers, including general partners, in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV is adjusted for capital calls, distributions and significant known valuation changes, if any, of its related portfolio through June 30, 2016.

Interests in certain direct investments in real estate are estimated based upon independent appraisals. Because the private equity, real estate and absolute return partnerships, along with direct investments in real estate, are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ significantly from the value that would be used had a ready market for such investments existed. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

For other investments, the University considers various factors to estimate fair value, such as the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections as well as discounted cash flow analysis. The selection of an appropriate technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, the University may review the investment's underlying portfolio as well as engage external appraisers, depending on the nature of the investment.

The University exercises due diligence in assessing the external managers' use of and adherence to fair value principles. In conjunction with these procedures, estimated fair value is determined by consideration of a wide range of factors, including market conditions, redemption terms and restrictions and risks inherent in the inputs of the external investment managers' valuation. In situations where the information provided by the external manager is deemed to not be representative of the fair value as of the measurement date, management evaluates specific features of the investment and utilizes supplemental fair value information provided by the external manager along with any relevant market data to measure the investment's fair value.

Investments in registered investment companies are valued based upon the reported net asset value of those companies. Mortgage loans, held as investments, are valued on the basis of their future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Insurance contracts are valued at contract value, plus reinvested interest, which approximates fair value. Estimates of the fair value of interests in externally held irrevocable trusts where the University is the beneficiary of either the income or the remainder that will not become a permanent endowment upon distribution to the University are based upon the present value of the expected future income or, if available, the University's proportional interest in the fair value of the trust assets.

Investments denominated in foreign currencies are translated into U.S. dollar equivalents using year-end spot foreign currency exchange rates. Purchases and sales of investments and their related income are translated at the rate of exchange on the respective transaction dates. Realized and unrealized gains and losses resulting from foreign currency changes are included in the University's statement of revenues, expenses and changes in net position.

Investment transactions are recorded on the date the securities are purchased or sold (trade date). Realized gains or

losses are recorded as the difference between the proceeds from the sale and the average cost of the investment sold. Dividend income is recorded on the ex-dividend date and interest income is accrued as earned. Gifts of securities are recorded based on fair value at the date of donation.

Campus foundations may invest all or a portion of their investments in University-managed investment pools. Securities in these investment pools are included in the University's security lending program. Accordingly, the campus foundation's investments in University-managed investment pools and their allocated share of the securities lending activities have been excluded from the University's financial statements and included in the Campus Foundations' column.

Funds held by trustees.
UCLA and the campus foundations have been named the irrevocable beneficiary for charitable remainder trusts for which the University and campus foundations are not the trustee. Upon maturity of each trust, the remainder of the trust corpus will be transferred to the University or the respective campus foundation. These funds cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. UCLA and the campus foundations are also an income beneficiary of certain trusts where the assets are invested and administered by outside trustees.

Consistent with the University's and campus foundations' recognition policy for pledges of endowment, receivables and contribution revenue associated with these trusts are not reflected in the accompanying financial statements. The University and campus foundations recognize contribution revenue when all eligibility requirements have been met.

Derivative financial instruments.
Derivative instruments are recorded at fair value. Futures contracts, foreign currency exchange contracts, stock rights and warrants, options and swaptions are valued at the settlement price on the last day of the fiscal year, as quoted on a recognized exchange or utilizing an industry standard pricing service, when available. Financial institutions or independent advisors have estimated the fair value of the interest rate swaps and total return swaps using quoted market prices when available or discounted expected future net cash flows. The University has entered into interest rate swap agreements to limit the exposure of its variable-rate debt to changes in market interest rates. Interest rate swap agreements involve the exchange with a counterparty of fixed- and variable-rate interest payments periodically over the life of the agreement without exchange of the underlying notional principal amounts. The net differential to be paid or received is recognized over the life of the agreements as an adjustment to interest expense. The University's counterparties are major financial institutions.

Derivatives are recorded at fair value as either assets or liabilities in the statement of net position. Certain derivatives are determined to be hedging derivatives and designated as either a fair value or cash flow hedge. Under hedge accounting, changes in the fair value of hedging derivatives are considered to be deferred inflows (for hedging derivatives with positive fair values) or deferred outflows (for hedging derivatives with negative fair values).

Changes in fair value of derivatives that are not hedging derivatives are recorded as net appreciation or depreciation of investments in the statement of revenues, expenses and changes in net position.

Accounts receivable, net.
Accounts receivable, net of allowance for uncollectible amounts, include reimbursements due from state and federal sponsors of externally funded research, patient billings, accrued income on investments and other receivables. Other receivables include local government and private grants and contracts, educational activities and amounts due from students, employees and faculty for services.

Pledges receivable, net.
Unconditional pledges of private gifts to UCLA or the Foundations, net of allowance for uncollectible amounts, are recorded as pledges receivable and revenue in the year promised at the net present value of expected cash flows. Conditional pledges, including pledges of endowments and intentions to pledge, are recognized as receivables and revenues when the specified conditions are met. Receivables and contribution revenue associated with externally held investment trusts are not reflected in the accompanying financial statements. The University

recognizes contribution revenue when all eligibility requirements have been met.

Notes and mortgages receivable, net.
Loans to students, net of allowance for uncollectible amounts, are provided from federal student loan programs and from other University sources. Home mortgage loans, primarily to faculty, are provided from the University's Short Term Investment Pool and from other University sources. Mortgage loans provided by the Short Term Investment Pool are classified as investments, and loans provided by other sources are classified as mortgages receivable in the statement of net position.

Inventories.
Inventories for the campus, consisting primarily of supplies and merchandise for resale, are valued at cost, typically determined under the weighted average method, which is not in excess of estimated net realizable value. Inventories for the medical centers consist primarily of pharmaceuticals and medical supplies which are stated on a first-in, first-out basis at the lower of cost or market.

Capital assets, net.
Land, infrastructure, buildings and improvements, intangible assets, equipment, libraries, collections and special collections are recorded at cost at the date of acquisition, or estimated fair value at the date of donation in the case of gifts. Estimates of fair value involve assumptions and estimation methods that are uncertain and, therefore, the estimates could differ from actual value. Intangible assets include easements, land rights, trademarks, patents, and other similar arrangements. Capital leases are recorded at the estimated present value of future minimum lease payments. Significant additions, replacements, major repairs and renovations to infrastructure and buildings are generally capitalized if the cost exceeds $35,000 and if they have a useful life of more than one year. Minor renovations are charged to operations. Equipment with a cost in excess of $5,000 and a useful life of more than one year is capitalized. Incremental costs, including salaries and employee benefits, directly related to the acquisition, development and installation of major software projects are included in the cost of the capital assets. All costs of land, library collections and special collections are capitalized.

Depreciation is calculated using the straight-line method over the estimated economic life of the asset. Equipment under capital leases is amortized over the estimated useful life of the equipment. Leasehold improvements are amortized using the straight-line method over the shorter of the life of the applicable lease or the economic life of the asset.

Estimated economic lives are generally as follows:

	Years
Infrastructure	25
Buildings and improvements	15-33
Equipment	2-20
Computer software	3-7
Intangible assets	2-indefinite
Library books & collectibles	15

Capital assets acquired through federal grants and contracts where the federal government retains a reversionary interest are also capitalized and depreciated.

Inexhaustible capital assets, such as land or special collections that are protected, preserved and held for public exhibition, education or research, including art, museum, scientific and rare book collections, are not depreciated.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned on tax-exempt borrowings during the temporary investment of project-related borrowings.

Deferred revenue.
Deferred revenue primarily includes amounts received from grant and contract sponsors that have not been earned under the terms of the agreement and other revenue billed in advance of the event, such as student tuition and fees for housing and dining services.

Funds held for others.
Funds held for others result from the Foundations acting as an agent, or fiduciary, on behalf of organizations that are not significant or financially accountable to UCLA or the Foundations.

Federal refundable loans.
Certain loans to students are administered by UCLA with funding primarily supported by the federal government. UCLA's statement of net position includes both the notes receivable and the related federal refundable loan liability representing federal capital contributions owed upon termination of the program.

Bond premium.
The premium received in the issuance of long-term debt is amortized as a reduction to interest expense over the term of the related long-term debt.

Self-insurance programs.
The University is self-insured or insured through a wholly owned captive insurance company for medical malpractice, workers' compensation, employee health care and general liability claims. These risks are subject to various claim and aggregate limits, with excess liability coverage provided by an independent insurer. Liabilities are recorded when it is probable a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate for claims that have been incurred, but not reported. The estimated liabilities are based upon an independent actuarial determination of the present value of the anticipated future payments. Settlements did not exceed self-insured or supplementally insured coverage for each of the past three fiscal years.

Obligations under life income agreements.
Obligations under life income agreements represent trusts with living income beneficiaries where UCLA has a residual interest. The investments associated with these agreements are recorded at fair value. The discounted present value of any income beneficiary interest is reported as a liability in the statement of net position. Gifts subject to such agreements are recorded as revenue, net of the income beneficiary share, at the date of the gift. Actuarial gains and losses are included in other nonoperating income (expense) in the statement of revenues, expenses and changes in net position. Resources that are expendable upon maturity are classified as restricted, expendable net position; all others are classified as restricted, nonexpendable net position.

Pollution remediation obligations.
Upon an obligating event, UCLA estimates the components of any expected pollution remediation costs and recoveries from third parties. The costs, estimated using the expected cash flow technique, are accrued as a liability. Pollution remediation liabilities generally involve groundwater, soil and sediment contamination at certain sites where state and other regulatory agencies have indicated that UCLA is among the responsible parties. The liabilities are revalued annually and may increase or decrease the cost of recovery from third parties, if any, as a result of additional information that refines the estimates, or from payments made from revenue sources that support the activity. There were no expected recoveries at June 30, 2016 reducing the pollution remediation liability.

Deferred outflows of resources and deferred inflows of resources.
Deferred outflows of resources and deferred inflows of resources represent a consumption and acquisition of net position that applies to a future period, respectively. UCLA classifies gains on refunding of debt as deferred inflows of resources and losses as deferred outflows of resources and amortizes such amounts as a component of interest expense over the remaining life of the old debt, or the new debt, whichever is shorter.

UCLA classifies an increase in the fair value of the hedging derivatives as deferred inflows of resources, and a decrease as deferred outflows of resources.

Changes in net pension liability not included in pension expense are reported as deferred outflows of resources or deferred inflows of resources. Employer contributions subsequent to the measurement date of the net pension liability are reported as deferred outflows of resources.

Net position.
Net position is required to be classified for accounting and reporting purposes into the following categories:

Net investment in capital assets. This category includes all of UCLA's capital assets, net of accumulated depreciation, reduced by outstanding debt attributable to the acquisition, construction or improvement of those assets.

Restricted. UCLA and the Foundations classify the net position resulting from transactions with purpose restrictions as restricted net position until the specific resources are used for the required purpose or for as long as the provider requires the resources to remain intact.

Nonexpendable. The net position subject to externally imposed restrictions, which must be retained in perpetuity by UCLA or the Foundations, is classified as nonexpendable net position. This includes UCLA's and the Foundations' permanent endowed funds.

Also included in nonexpendable net position are minority interests, which include the net position of legally separate organizations attributable to other participants.

Expendable. The net position whose use by UCLA or the Foundations is subject to externally imposed restrictions that can be fulfilled by actions of UCLA or the Foundations pursuant to those restrictions or that expire by the passage of time are classified as expendable net position.

Unrestricted. The net position that is not subject to externally imposed restrictions governing their use are classified as unrestricted net position. UCLA's unrestricted net position may be designated for specific purposes by management or The Regents. The campus Foundations' unrestricted net position may be designated for specific purposes by their Board of Trustees. Substantially, all of UCLA's unrestricted net position is allocated for academic and research initiatives or programs, for capital programs or for other purposes.

Expenses are charged to either restricted or unrestricted net position based upon a variety of factors, including consideration of prior and future revenue sources, the type of expense incurred, UCLA's budgetary policies surrounding the various revenue sources or whether the expense is a recurring cost. Unrestricted net position is negative due primarily to liabilities for pension and retiree health benefits exceeding University reserves.

Revenues and expenses.
Operating revenues of UCLA include receipts from student tuition and fees, grants and contracts for specific operating activities and sales and services from medical centers, educational activities and auxiliary enterprises. Operating expenses incurred in conducting the programs and services of UCLA are presented in the statement of revenues, expenses and changes in net position as operating activities.

Certain significant revenues relied upon and budgeted for fundamental operational support of the core instructional mission of UCLA are mandated by the GASB to be recorded as nonoperating revenues, including state educational appropriations, certain federal grants for student financial aid, private gifts and investment income, since the GASB does not consider them to be related to the principal operating activities of UCLA.

The foundations are established to financially support UCLA. Private gifts to the foundations are recognized as operating revenues since, in contrast to UCLA, such contributions are fundamental to the core mission of the foundations. Foundation grants to UCLA are recognized as operating expenses by the foundations. Private gift or capital gift revenues associated with the foundation grants to UCLA are recorded by UCLA as gifts when the foundations transfer the gifts to UCLA.

Nonoperating revenues and expenses include state educational appropriations, state hospital fee grants, Build America Bonds federal interest subsidies, Federal Pell Grants, private gifts for other than capital purposes, investment income, net appreciation (or depreciation) in the fair value of investments, interest expense and the gain (or loss) on the disposal of capital assets.

State capital appropriations, capital gifts and grants, and gifts for endowment purposes are classified as other changes in net position.

Student tuition and fees.
Substantially, all of the student tuition and fees provide for current operations of UCLA. A small portion of the student fees, reported as capital gifts and grants, is required for debt service associated with student union and recreational centers.

UCLA recognizes scholarship allowances as the difference between the stated charge for tuition and fees, housing and dining charges, recreational center and other fees, and the amount that is paid by the student and third parties

on behalf of the student. Payments of financial aid made directly to students are classified as scholarship and fellowship expenses.

Scholarship allowances are netted against student tuition and fees in the statement of revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015 as follows:

(dollars in thousands)

Scholarship Allowance	2016	2015
Student tuition & fees	$248,968	$293,605
Auxiliary enterprises	$51,882	$56,021
Total	**$300,850**	**$349,626**

State appropriations.
The State of California provides appropriations to the University on an annual basis. State educational appropriations are recognized as nonoperating revenue; however, the related expenses for educational, retirement or other specific operating purposes are reported as operating expenses. State appropriations for capital projects are recorded as revenue under other changes in net position when the related expenditures are incurred. Special state appropriations for AIDS, tobacco and breast cancer research are reported as grant operating revenue.

Grant and contract revenue.
UCLA receives grant and contract revenue from governmental and private sources. UCLA recognizes revenue associated with the direct costs of sponsored programs as the related expenditures are incurred. Recovery of facilities and administrative costs of federally sponsored programs is at cost reimbursement rates negotiated with UCLA's federal cognizant agency, the U.S. Department of Health and Human Services. For the year ended June 30, 2016, the facilities and administrative cost recovery totaled $183 million, which consisted of $137 million from federally sponsored programs and $46 million from other sponsors. For the year ended June 30, 2015, the facilities and administrative cost recovery totaled $182 million, which consisted of $134 million from federally sponsored programs and $48 million from other sponsors.

Medical center revenue.
Medical center revenue is reported at the estimated net realizable amounts from patients and third-party payors, including Medicare, Medi-Cal and others, for services rendered, as well as estimated retroactive adjustments under reimbursement agreements with third-party payors. Laws and regulations governing Medicare and Medi-Cal are complex and subject to interpretation. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. It is reasonably possible that estimated amounts accrued could change significantly based upon settlement, or as additional information becomes available.

Net pension liability.
UCLA records net pension liability equal to the net pension liability for its defined benefit plans. The net pension liability is measured as the total pension liability, less the amount of the pension plan's fiduciary net position. The fiduciary net position and changes in net position of the defined benefit plans has been measured consistent with the accounting policies used by the plans. The total pension liability is determined based upon discounting projected benefit payments based on the benefit terms and legal agreements existing at the pension plan's fiscal year end. Projected benefit payments are discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available.

Pension expense is recognized for benefits earned during the period, interest on unfunded liability and changes in benefit terms. The differences between expected and actual experience and changes in assumptions about future economic or demographic factors are reported as deferred inflows or outflows and are recognized over the average expected remaining service period for employees eligible for pension benefits. The differences between expected and actual returns are reported as deferred inflows and outflows, and are recognized over five years.

Retiree health benefits and obligations for retiree health benefits.
UCLA's cost for campus and medical center retiree health benefits expense is based upon the annual required

contribution to the retiree health plan, as actuarially determined. UCLA's contributions toward retiree health benefits, at rates determined by the University, are made to University of California Retiree Health Benefit Trust (UCRHBT) and reduce the obligation for retiree health benefits in the statement of net position.

Campus and medical center contributions toward retiree health costs made to UCRHBT are shown as operating activities in the statement of cash flows. Cash flows resulting from retiree health contributions from retirees are shown as noncapital financing activities in the statement of cash flows.

Compensated absences.
UCLA accrues annual leave, including employer-related costs, for employees at rates based upon length of service and job classification, and compensatory time based upon job classification and hours worked.

Endowment spending.
Under provisions of California law, the Uniform Prudent Management of Institutional Funds Act allows for investment income, as well as a portion of realized and unrealized gains, to be expended for the operational requirements of UCLA programs.

Tax exemption.
The University is recognized as a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code (IRC). Because the University is a state institution, related income received by the University is also exempt from federal tax under IRC Section 115(a). In addition, the University is exempt from state income taxes imposed under the California Revenue and Taxation Code. The UCLA Foundation, the Jonsson Cancer Center Foundation and ASUCLA are tax-exempt organizations under IRC Section 501(c)(3).

Use of estimates.
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Although management believes the estimates and assumptions are reasonable, they are based upon information available at the time the estimate or judgment is made and actual amounts could differ from those estimates.

New accounting pronouncements.
In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* effective for the University's fiscal year beginning July 1, 2016. This Statement addresses the financial reports of defined benefit other postemployment benefits (OPEB) plans that are administered through trusts that meet specified criteria. The Statement follows the framework for financial reporting of defined benefit OPEB plans in Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires note disclosures and required supplementary information (RSI) related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. Additionally, Statement No. 74 sets forth note disclosure requirements for defined contribution OPEB plans. Statement No. 74 will affect the information presented in the footnotes to the financial statements and required supplementary information for UCRHBT. The University is evaluating the effect that Statement No. 74 will have on its financial statements.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* effective for the University's fiscal year beginning July 1, 2017. This Statement revises existing standards for measuring and reporting retiree health benefits provided by the University to its employees. This Statement requires recognition of a liability equal to the net retiree health benefit liability, which is measured as the total retiree health benefit liability, less the amount of the UCRHBT's fiduciary net position. The total retiree health benefit liability is determined based upon discounting projected benefit payments based on claims costs, the benefit terms and legal agreements existing at the UCRHBT's fiscal year end. Projected benefit payments are required to be discounted using a single rate that reflects the expected rate of return on investments, to the extent that plan assets are available to pay benefits, and a tax-exempt, high-quality municipal bond rate when plan assets are not available. The Statement requires that most changes in the net retiree

health benefit liability be included in retiree health benefit expense in the period of change. As of June 30, 2016, UCLA reported a retiree health benefit obligation of $2.6 billion. Under Statement No. 75, the University's OPEB obligation is expected to increase. The University is evaluating the effect that Statement No. 75 will have on its financial statements.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans,* effective for the University's fiscal year beginning July 1, 2016. This Statement amends the scope and applicability of Statement No. 68 , *Accounting and Financial Reporting for Pensions,* to exclude pensions provided to employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that (1) is not a state or local governmental pension plan, (2) is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and (3) has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). This Statement establishes requirements for recognition and measurement of pension expense, expenditures and liabilities; note disclosures; and required supplementary information for pensions that have the characteristics described above. The University is evaluating the effect that Statement No. 78 will have on its financial statements.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements,* effective for the University's fiscal year beginning July 1, 2017. This statement addresses when Irrevocable Split-Interest Agreements constitute an asset for accounting and financial reporting purposes when the resources are administered by a third party. The Statement also provides expanded guidance for circumstances in which the government holds the assets. The University is evaluating the effect that Statement No. 81 will have on its financial statements.

1. CASH AND CASH EQUIVALENTS

UCLA cash and cash equivalents are maintained and managed centrally by the University of California. Cash in demand deposit accounts is minimized by sweeping available cash balances into investment accounts on a daily basis.

Under University policy, deposits are only held at financial institutions that maintain an issuer rating on long-term debt of A3 or higher by Moody's, A- or higher by Standard & Poor's or an Asset Peer Group rating of 65 or higher as defined by Sheshunoff Bank Rating Reports. In 2012, ratings for one of the University's banks were lowered before these thresholds. The University approved an exception for this institution and continues to monitor the institution's financial condition. UCLA financial statements reflect deposits in transit as cash except for amounts maintained by ASUCLA. Cash amounts were $21 million and $26 million, respectively, at June 30, 2016 and 2015. UCLA deposits in transit at June 30, 2016 and 2015 were $11 million and $16 million, respectively, while ASUCLA cash and cash equivalents were $10 million for both years ended June 30, 2016 and 2015, respectively. UCLA does not have significant exposure to foreign currency risk in its cash and cash equivalents.

The carrying amount of the campus foundations' cash and cash equivalents at June 30, 2016 and 2015 was $6 million and $4 million, respectively, compared at June 30, 2016 and 2015 of bank balances of approximately $4 million and $3 million, respectively. The differences, if any, between the cash and cash equivalents compared to bank balances is due to deposits in transit. Bank balances for the campus foundations at June 30, 2016 and 2015 were approximately $2 million and $1 million, respectively, in excess of the FDIC limits. The foundations do not have exposure to foreign currency risk in their cash and cash equivalents.

2. INVESTMENTS

The Regents, as the governing Board, is responsible for the oversight of the University's investments and establishes investment policy, which is carried out by the Chief Investment Officer. These investments are associated with the Short Term Investment Pool (STIP), Total Return Investment Pool (TRIP), General Endowment Pool (GEP), and other investment pools managed by the Chief Investment Officer, or are separately invested. Pursuant to The Regents' policies on campus foundations, the Board of Trustees for each campus foundation may determine that all or a portion of their investments will be managed by the Chief Investment Officer. Asset allocation guidelines are provided to the campus foundations by the Committee on Investments of The Regents.

STIP allows participants to maximize the returns on their short-term cash balances by taking advantage of the economies of scale of investing in a large pool with a broad range of maturities and is managed to maximize current earned income. Cash to provide for payroll, construction expenditures and other operating expenses for UCLA is invested in STIP. The available cash in endowment investment pools awaiting investment, or cash for administrative expenses, is also invested in STIP.

Investments authorized by The Regents for STIP include fixed-income securities with a maximum maturity of five and one-half years. In addition, for STIP, The Regents has also authorized loans, primarily to faculty members residing in California, under the University's Mortgage Origination Program with terms up to 40 years.

TRIP allows participants the opportunity to maximize the return on their long-term working capital by taking advantage of the economies of scale of investing in a large pool across a broad range of asset classes. TRIP is managed to a total return objective and is intended to supplement STIP. Investments authorized by The Regents for TRIP include a diversified portfolio of equity, fixed-income and alternative investments.

GEP is an investment pool in which a large number of individual endowments participate in order to benefit from diversification and economies of scale. GEP is a balanced portfolio and the primary investment vehicle for endowed gift funds. Where donor agreements place constraints on allowable investments, assets associated with endowments are invested in accordance with the terms of the agreements.

Other investment pools primarily facilitate annuity and life income arrangements. Separate investments are those that cannot be pooled due to investment restrictions or income requirements.

Investments authorized by The Regents for GEP, other investment pools and separate investments include equity securities, fixed-income securities and certain other asset classes. The equity portion of the investment portfolios include both domestic and foreign common and preferred stocks which may be included in actively or passively managed strategies, along with exposure to private equities. The University's investment portfolios may include foreign currency-denominated equity securities. The fixed-income portion of the investment portfolios may include both domestic and foreign securities, along with certain securitized investments, including mortgage-backed and asset-backed securities. Fixed-income investment guidelines permit the use of futures and options on fixed-income instruments in the ongoing management of the portfolios. Real estate investments are authorized for all pools except for STIP. Absolute return strategies, which may incorporate short sales, plus derivative positions to implement or hedge an investment position, are also authorized for all pools except STIP.

Derivative instruments, including futures, forward contracts, options and swap contracts, are authorized for portfolio rebalancing in accordance with The Regents' asset allocation policy and as substitutes for physical securities. Derivatives are not used for speculative purposes.

More detail about the University of California's investments, securities lending, derivative financial instruments and investments held by trustees can be found in the audited University of California Annual Financial Report.

3. ACCOUNTS RECEIVABLE

Accounts receivable and the allowance for uncollectible accounts at June 30, 2016 and 2015 are as follows:

	UCLA				UCLA Foundations
(dollars in thousands)	**State & Federal Government**	**Medical Centers**	**Other**	**Total**	
At June 30, 2016					
Accounts receivable	$85,709	$404,355	$290,053	$780,117	$32,538
Allowance for uncollectible accounts	(276)	(50,565)	(15,142)	(65,983)	—
Accounts receivable, net	$85,433	$353,790	$274,911	$714,134	$32,538
At June 30, 2015					
Accounts receivable	$115,578	$400,822	$316,344	$832,744	$51,323
Allowance for uncollectible accounts	(328)	(60,616)	(15,225)	(76,169)	—
Accounts receivable, net	$115,250	$340,206	$301,119	$756,575	$51,323

Other accounts receivable are primarily related to private grants and contracts, medical professional fees, investment sales, tuition and fees and auxiliary enterprises.

The foundations' accounts receivable are primarily related to investment income.

The expense for uncollectible accounts has either increased (decreased) the following revenues for the years ended June 30:

(dollars in thousands)	**2016**	**2015**
Student Tuition & Fees	297	4
Grants and contracts:		
Federal	(52)	2
State	104	
Private	(204)	10
Local	154	20
Medical Center	(25,364)	(28,422)
Educational Activities	(959)	(1,633)
Auxiliary Enterprises	30	(2)
Other Operating Revenues	(16)	(207)
Expense for Uncollectible Accounts	**(26,010)**	**$30,228**

4. PLEDGES RECEIVABLE

The composition of pledges receivable at June 30, 2016 and 2015 is summarized as follows:

	UCLA		UCLA Foundations	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**
Total Pledges Receivable, Outstanding	$15,522	$21,719	$600,108	$563,083
Less: Unamortized Discount to Present Value	(236)	(306)	(98,881)	(88,135)
Allowance for Uncollectible Pledges	(2,495)	(3,540)	(26,333)	(28,016)
Total pledges receivable, net	**12,791**	**17873**	**474,894**	**446,932**
Less: Current portion of pledges receivable	(4,924)	(8,399)	(96,554)	(76,539)
Noncurrent portion of pledges receivable	**$7,867**	**$9,474**	**$378,340**	**$370,393**

Future receipts under pledge agreements for each of the five fiscal years subsequent to June 30, 2016 and thereafter are as follows:

(dollars in thousands)	**UCLA**	**UCLA foundations**
Year ending June 30		
2017	$7,144	$118,084
2018	2,841	52,531
2019	1,966	48,191
2020	1,821	44,230
2021	750	29,518
2022-2026	1000	136,567
Beyond 2026	—	170,987
	$15,522	**$600,108**

Adjustments to the allowance for uncollectible pledges for UCLA have increased (decreased) the following revenues for the years ended June 30, 2016 and 2015:

(dollars in thousands)	**2016**	**2015**
Private Gifts	$(70)	$821

5. NOTES AND MORTGAGES RECEIVABLE

Notes and mortgages receivable at June 30, 2016 and 2015 along with allowances for uncollectible amounts, are as follows:

(dollars in thousands)	Current	Noncurrent Notes	Noncurrent Mortgages	Total
At June 30, 2016				
Notes and mortgages receivable	$6,998	$66,897	$11,310	$78,207
Allowance for uncollectible amounts	(1,109)	(2,653)	(119)	(2,772)
Notes and mortgages receivable, net	**$5,889**	**$64,244**	**$11,191**	**$75,435**
At June 30, 2015				
Notes and mortgages receivable	$7,716	$68,123	$11,627	$79,750
Allowance for uncollectible amounts	(762)	(2,885)	(123)	(3,008)
Notes and mortgages receivable, net	**$6,954**	**$65,238**	**$11,504**	**$76,742**

6. CAPITAL ASSETS, NET

UCLA's capital asset activity for the years ended June 30, 2016 and 2015 is as follows:

(dollars in thousands)

Original Cost	2014	Additions	Disposals	2015	Additions	Disposals	2016
Land	$146,246	$ —	$ —	$146,246	$33,564	$ —	$179,810
Infrastructure	7,385	—	—	7,385	—	—	7,385
Buildings and improvements	6,480,732	$593,137	($ 3,250)	7,070,619	226,544	(30,879)	7,266,284
Equipment	1,158,839	87,936	(65,919)	1,180,856	104,680	(42,279)	1,243,257
Intangible assets	258,948	18,674	(15,819)	261,803	20,288	(6,212)	275,879
Libraries and collections	671,684	31,397	1,064	704,145	33,168	(550)	736,763
Special collections	107,341	4,378	(315)	111,404	4,161	(137)	115,428
Construction in progress	607,524	(242,675)	—	364,849	152,357	—	517,206
Capital assets, at original cost	**$9,438,699**	**$ 492,847**	**$(84,239)**	**$9,847,307**	**$574,762**	**$(80,057)**	**$10,342,012**

Accumulated Depreciation and Amortization	2014	Depreciation & Amortization	Disposals	2015	Depreciation & Amortization	Disposals	2016
Infrastructure	$6,319	$121	$ —	$6,440	$114	$ —	$6,554
Buildings and improvements	2,468,572	200,182	(800)	2,667,954	219,397	(6,557)	2,880,794
Equipment	689,011	89,631	(62,084)	716,558	87,970	(36,293)	768,235
Intangible assets	55,487	33,903	(9,135)	80,255	31,864	(1,896)	110,223
Libraries and collections	462,268	24,062	(1,446)	484,884	24,939	(903)	508,920
Accumulated depreciation and amortization	**$3,681,657**	**$347,899**	**$(73,465)**	**$3,956,091**	**$364,284**	**$(45,649)**	**$4,274,726**
Capital assets, net	**$5,757,042**			**$5,891,216**			**$6,067,286**

7. DEBT

The University directly finances the construction, renovation and acquisition of facilities and equipment, or for such other purposes as are authorized by The Regents through the issuance of debt obligations or indirectly through structures that involve legally separate entities reported as blended component units. Commercial paper and bank loans provide for interim financing. Long-term financing includes revenue bonds, capital lease obligations and other borrowings.

UCLA's outstanding debt at June 30, 2016 is as follows:

(dollars in thousands)	Weighted Average Interest Rate	Interest Rate Range	Maturity Years	2016
Interim Financing:				
Commercial paper		0.4-0.6%	2016	$124,687
Long-term Financing:				
University of California General Revenue Bonds				
Fixed Rate	4.7%	0.8 - 7.6%	2017-2115	1,309,536
Variable Rate	0.6%	0.4 - 1.0%	2037-2048	181,215
University of California Limited Project Revenue Bonds	4.8%	0.7 - 6.3%	2017-2051	862,776
University of California Medical Center Pooled Revenue Bonds				
Fixed Rate	5.7%	3.0 - 6.6%	2017-2049	596,482
Variable Rate	0.9%	0.3 - 1.2%	2017-2047	61,273
University of California Medical Center Revenue Bonds	5%	5.0 - 5.5%	2017-2039	42,560
Unamortized bond premium				156,470
University of California Revenue Bonds	**4.5%**			**3,210,312**
Capital lease obligations		0.0 - 6.0%	2016-2042	114,680
Other University borrowings	5.7%	Various	2016-2049	205,445
Total Outstanding Debt				**3,655,124**
Less: Commercial paper				(124,687)
Current portion of outstanding debt				(215,074)
Noncurrent portion of outstanding debt				**$3,315,363**

Interest expense associated with financing projects during construction, net of any investment income earned on tax-exempt bond proceeds during construction, is capitalized. Total interest expense during the years ended June 30, 2016 and 2015 was $129 million and $122 million, respectively. Interest expense, net of investment income, totaling $5 million and $4 million, was capitalized during the years ended June 30, 2016 and 2015, respectively. The remaining $124 million and $119 million in 2016 and 2015, respectively, is reported as interest expense in the statement of revenues, expenses and changes in net position.

Outstanding Debt Activity

The activity with respect to UCLA's current and noncurrent debt for the years ended June 30, 2016 and 2015 is as follows:

(dollars in thousands)	Revenue Bonds	Capital Lease Obligations	Other Borrowings	Total
Year Ended June 30, 2016				
Long-term debt and capital leases at June 30, 2015	$3,173,150	$67,104	$77,014	$3,317,268
New obligations	115,045	49,236	131,084	295,365
Bond premium	13,943	—	—	13,943
Refinancing or prepayment of outstanding debt	(15,795)	—	—	(15,795)
Scheduled principal payments	(64,995)	(1,660)	(2,653)	(69,308)
Amortization of bond premium	(11,036)	—	—	(11,036)
Long-term debt and capital leases at June 30, 2016	3,210,312	114,680	205,445	3,530,437
Less: Current portion	(201,447)	(10,996)	(2,631)	(215,074)
Noncurrent portion at June 30, 2016	**$3,008,865**	**$103,684**	**$202,814**	**$3,315,363**
Year Ended June 30, 2015				
Long-term debt and capital leases at June 30, 2014	$3,105,838	$69,564	$51,222	$3,226,624
New obligations	401,780	746	28,328	430,854
Bond premium	46,319	—	—	46,319
Refinancing or prepayment of outstanding debt	(308,835)	—	—	(308,835)
Scheduled principal payments	(62,539)	(3,206)	(2,536)	(68,281)
Amortization of bond premium	(9,413)	—	—	(9,413)
Long-term debt and capital leases at June 30, 2015	**3,173,150**	**67,104**	**77,014**	**3,317,268**
Less: Current portion	(194,467)	(2,205)	(2,653)	(199,325)
Noncurrent portion at June 30, 2015	**$2,978,683**	**$64,899**	**$74,361**	**$3,117,943**

Commercial Paper

The University has available a $2.0 billion system-wide commercial paper program, issued in two series, with tax-exempt and taxable components. Commercial paper may be issued for interim/permanent financing for capital projects, interim financing of equipment, financing of working capital for the medical centers and other working capital needs, standby or interim financing for gift financed projects, standby or interim financing for gift financed projects and working capital for the University.

The program's liquidity is primarily supported by available investments in STIP and TRIP. Commercial paper is collateralized by a pledge of the revenues derived from the ownership or operation of the projects financed and constitutes limited obligations of the University. There is no encumbrance, mortgage or other pledge of property securing commercial paper and the paper does not constitute general obligations of the University.

Commercial paper outstanding for UCLA, including interest rates, at June 30,2016 and 2015 is as follows:

(dollars in thousands)	2016		2015	
	Interest Rates	**Outstanding**	**Interest Rates**	**Outstanding**
Taxable	0.39 - 0.60%	124,687	0.08 - 0.20%	237,086
Total Outstanding		$124,687		$237,086

The expectation is that the University will continue to utilize available investments for liquidity support for the commercial paper program. Alternatively, the University may utilize lines of credit from external banks for the purpose of providing additional liquidity support for the commercial paper program. As of June 30, 2016, the University has two revolving credit agreements totaling $700 million. There were no borrowings against the revolving credit lines as of June 30, 2016 and 2015.

University of California Revenue Bonds

Revenue bonds have financed various auxiliary, administrative, academic, medical center and research facilities of the University. They generally have annual principal and semiannual or monthly interest payments, serial and term maturities, contain sinking fund requirements and may have optional redemption provisions. Revenue bonds are not collateralized by any encumbrance, mortgage or other pledge of property, except pledged revenues, and do not constitute general obligations of The Regents. Revenue Bond Indentures require the University to use the facilities in a way that will not cause the interest on the tax-exempt bonds to be included in the gross income of the bondholders for federal tax purposes.
General Revenue Bonds are collateralized solely by General Revenues as defined in the General Revenue Bond Indenture. General Revenues are certain operating and nonoperatingrevenues of the University consisting of gross student tuition and fees; facilities and administrative cost recovery from contracts and grants; revenues from educational, auxiliary and other activities; and other revenues, including unrestricted investment income. The General Revenue Bond Indenture requires the University to set rates, charges and fees each year sufficient for General Revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. General Revenues, as defined in the Indenture, have been amended to include certain state appropriations as to secure payment of the General Revenue Bonds. UCLA General Revenues were $3.3 billion and $3.1 billion for the years ended June 30, 2016 and 2015, respectively. The pledge of General Revenues for interest rate swap agreements is on a parity basis with the University's General Revenue Bonds.

Limited Project Revenue Bonds are issued to finance auxiliary enterprises and are collateralized by a pledge consisting of the sum of the gross revenues of the specific projects. The Limited Project Revenue Bond Indenture requires the University to achieve the sum of gross project revenues

equal to 1.1 times debt service and maintain certain other financial covenants. UCLA pledged revenues for the years ended June 30, 2016 and 2015 were $445 million and $427 million, respectively.

Medical Center Pooled Revenue Bonds are issued to finance the University's medical center facilities and are collateralized by a joint and several pledges of the gross revenues of all five of the University's medical centers. Medical center gross revenues are excluded from General Revenues. The Medical Center Pooled Revenue Bond Indenture requires the medical centers to set rates, charges and fees each year sufficient for the Medical Center's total operating and non-operating revenues to pay for the annual principal and interest on the bonds and certain other financial covenants. Pledged revenues of the five medical centers for the years ended June 30, 2016 and 2015 were $10.4 billion and $9.7 billion, respectively. Pledged revenues for the UCLA medical center for years ended June 30, 2016 and 2015 were $2.4 billion and $2.3 billion, respectively.

Medical Center Revenue Bonds have also financed certain facilities of UCLA's medical center and are collateralized by a pledge of the specific gross revenues associated with the medical center. The Medical Center Revenue Bond Indenture requires the medical center to achieve debt service coverage of 1.1 times, set limitations on encumbrances, indebtedness, disposition of assets and transfer services, as well as maintain certain other financial covenants.

The pledge of revenues for Limited Project Revenue Bonds is subordinate to the pledge of revenues for General Revenue Bonds, but senior to pledges for commercial paper notes.

Medical center gross revenues are pledged under the Indentures for the Medical Center Pooled Revenue Bonds and the UCLA Medical Center Revenue Bonds and certain interest rate swap agreements. The pledge of medical center revenues under Medical Center Pooled Revenue Bonds is subordinate to the specific Medical Center Revenue Bonds.

The pledge of medical center revenues for interest rate swap agreements may be at parity with or subordinate to specific Medical Center Revenue Bonds and Medical Center Pooled Revenue Bonds.

All indentures permit the University to issue additional bonds as long as certain conditions are met.

2016 Activity

In April 2016, General Revenue Bonds totaling $19 million, including $10 million in tax-exempt bonds and $9 million in taxable bonds, were issued to finance or refinance certain facilities and projects of UCLA. The bonds mature at various dates through 2040. Proceeds, including a bond premium of $2 million, were used to pay for project construction and issuance costs and to refund $16 million of outstanding General Revenue Bonds. The refunding of the outstanding General Revenue Bonds resulted in a loss of $1 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding General Revenue Bonds resulted in cash flow savings of $4 million and an economic gain of $2 million. The taxable bonds have a stated weighted average interest rate of 3.3 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.7 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

In June 2016, Limited Project Revenue Bonds totaling $97 million, including $90 million tax-exempt bonds and $7 million taxable bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain athletic, parking, recreational, dining, student and faculty housing of UCLA. The bonds mature at various dates through 2040. Proceeds, including a bond premium of $12 million, were used to pay for project construction and issuance costs. The taxable bonds have a stated weighted average interest rate of 3.1 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.3 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds.

2015 Activity

In March 2015, General Revenue Bonds totaling $119 million, including $92 million of taxable bonds and $27 million of tax-exempt bonds, were issued to finance or refinance certain facilities and projects of the University. The bonds mature at various dates through 2045. Proceeds, including a bond premium of $30 million, were used to pay for project construction and issuance costs and to refund $309 million

of outstanding General Revenue Bonds. The taxable bonds have a stated weighted average interest rate of 3.8 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.6 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in a loss of $23 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding General Revenue Bonds resulted in cash flow savings of $45 million and an economic gain of $37 million.

In March 2015, Limited Project Revenue Bonds totaling $282 million, including $63 million of taxable bonds and $219 million of tax-exempt bonds, were issued to finance or refinance the acquisition, construction, improvement and renovation of certain athletic, parking, recreational, dining and student and faculty housing facilities of UCLA. The bonds mature at various dates through 2050. Proceeds, including a bond premium of $16 million, were used to pay for project construction and issuance costs and refund $236 million of outstanding General Revenue Bonds and Limited Project Revenue Bonds. The taxable bonds have a weighted average interest rate of 4.1 percent. The tax-exempt bonds have a stated weighted average interest rate of 4.8 percent. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refunding resulted in a loss of $33 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the remaining life of the refunded bonds. The refinancing and refunding of previously outstanding General Revenue Bonds and Limited Project Revenue Bonds resulted in cash flow savings of $24 million and an economic gain of $20 million.

Subsequent Events

In August 2016, Medical Center Pooled Revenue Bonds totaling $326 million, including $51 million of tax-exempt bonds and $275 million taxable bonds, were issued to finance and refinance certain facilities and projects of the UCLA Medical Center. Proceeds, including a net bond premium of $49 million, were used to pay for project construction, issuance costs and refund $282 million of outstanding UCLA Medical Center Pooled Revenue Bonds and all of the outstanding UCLA Medical Center Revenue Bonds. The bonds mature at various dates through 2047. Simultaneously, a bank standby bond purchase agreement for certain of the University's variable-rate demand bonds was terminated. The University will provide its own liquidity in connection with mandatory and optional tenders and remarketing of these bonds and does not plan to provide any third-party liquidity facility to support this obligation. The interest rates on the variable-rate demand bonds reset daily and an interest rate swap is being used to limit exposure to changes in market interest rates. In the event of a failed remarketing, the variable-rate demand bonds can be put back to The Regents for tender. The tax-exempt and taxable bonds have a stated weighted average interest rate of 4.5 percent and 3.0 percent, respectively. The refunding of the outstanding Medical Center Pooled Revenue Bonds and Medical Center Revenue Bonds resulted in a loss of $1 million, recorded as a deferred outflow of resources, that will be amortized as interest expense over the term of the refunded bonds. The deferred premium will be amortized as a reduction to interest expense over the term of the bonds. The refinancing and refunding of previously outstanding Medical Center Revenue Bonds resulted in cash flow savings of $75 million and an economic gain of $59 million.

Medical center gross revenues continue to be pledged under the Indentures for the Medical Center Pooled Revenue Bonds and certain interest rate swap agreements. The pledge of medical center revenues for interest rate swap agreements may be at parity with, or subordinate to, specific Medical Center Pooled Revenue Bonds.

Capital Leases

Capital leases entered into with other lessors, typically for equipment, totaled $49 million and $1 million in 2016 and 2015, respectively.

Other University Borrowings

Other University borrowings consist of contractual obligations resulting from the acquisition of land or buildings and the construction and renovation of certain facilities, along with the borrowing component associated with a hybrid derivate instrument.

Other borrowings totaled $205 million and $77 million, respectively, at June 30, 2016 and 2015. This was comprised of unamortized borrowings under UCLA Medical Center swap agreements of $26 million and $27 million, in addition to mortgage and other obligations to various lenders of $179 million and $50 million, at June 30, 2016 and 2015, respectively.

As a means to lower the UCLA Medical Center's borrowing costs, when compared against fixed-rate bonds at the time of issuance, the UCLA Medical Center entered into interest rate swap agreements in connection with their variable-rate Medical Center Pooled Revenue Bonds. Under the swap agreements, the medical center pays the swap counterparty a fixed interest rate payment and receives a variable-rate interest payment to effectively change the variable-rate bonds to synthetic fixed-rate bonds. For the hedging derivatives, the notional amount of the swap matches the principal amount of the variable-rate Medical Center Pooled Revenue Bonds, and the swap agreement contains scheduled reductions to outstanding notional amounts that match scheduled reductions in the variable-rate bonds.

As part of the University, UCLA may use uncollateralized revolving lines of credit with commercial banks for general corporate purposes and to provide interim financing for buildings and equipment.

Future Debt Service and Hedging Derivative Interest Rate Swaps

Future debt service payments for UCLA's fixed- and variable-rate debt and net receipts or payments on associated hedging derivative instruments for each of the five fiscal years subsequent to June 30, 2016 and thereafter are presented below. Although not a prediction by UCLA of the future interest cost of the variable-rate bonds or the impact of the hedging derivative interest rate swaps, these amounts assume that current interest rates on variable-rate bonds and the current reference rates of the hedging derivative interest rate swaps will remain the same. As these rates vary, variable-rate bond interest payments and net hedging derivative interest rate swap payments will vary. (fig.01)

(fig.01)

Year Ended June 30, 2016	Commercial Paper	Revenue Bonds	Capital Leases	Other University Borrowings	Total Payments	Principal	Interest
2017	$124,801	$206,557	$15,560	$12,885	$359,803	$219,463	$140,338
2018		202,129	14,355	14,388	230,872	93,536	137,337
2019		202,076	14,309	13,911	230,296	96,277	134,018
2020		201,271	14,300	9,079	224,650	94,159	130,491
2021		206,824	14,243	5,698	226,765	99,880	126,885
2022-2026		990,666	22,299	30,849	1,043,814	478,248	565,567
2027-2031		909,494	26,701	32,383	968,578	513,270	455,308
2032-2036		809,486	32,488	32,750	874,724	530,850	343,875
2037-2041		645,915	39,525	31,106	716,546	483,190	233,356
2042-2046		496,209	5,545	21,496	523,250	373,623	149,627
2047-2051		220,565		1,485	222,050	117,903	104,147
2052-2116		1,585,352			1,585,352	400,000	1,185,352
Total future debt service	**124,801**	**6,676,544**	**199,325**	**206,030**	**7,206,700**	**3,500,399**	**3,706,301**
Less: interest component of future payments	(114)	(3,622,702)	(82,900)	(585)	(3,706,301)		
Principal portion of future payments	**124,687**	**3,053,842**	**116,425**	**205,445**	**3,500,399**		
Adjusted by:							
Unamortized bond premium		156,470			156,470		
Present value of net minimum leases included in long-term debt			(1,745)		(1,745)		
Total debt	**$124,687**	**$3,210,312**	**$114,680**	**$205,445**	**$3,655,124**		

8. DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The composition of deferred outflows and inflows at June 30, 2016 and 2015 are summarized as follows:

(in thousands of dollars)	Net Pension Liability	Loss on Debt Refunding	Interest Rate Swap Agreements	Royalty Sale	Total
At june 30, 2016					
Deferred outflows of resources	$1,176,099	$53,621	$89,003		$1,318,723
Deferred inflows of resources	313,559			$497,826	811,385
At june 30, 2015					
Deferred outflows of resources	$1,215,915	$56,428	$60,776		$1,333,119
Deferred inflows of resources	1,185,356	—	—		1,185,356

In March 2016, the University sold 95.4 percent of future royalty payments to a third-party for $1.1 billion plus a residual interest in the payments contingent on exceeding certain milestones. The sales proceeds were shared with the group of inventors and a third-party involved with the discovery. The University's share of the net proceeds, after transactions fees, totaled $520.2 million. The royalty payments from January 2016 through the expiration of the related patents and license agreement in August 2027 were sold. Proceeds from the sale have been reported as deferred inflows of resources and will be recognized on a straight-line basis through the expiration of the patents. The present value of the estimated royalty income stream sold was $1.5 billion using a 12 percent discount rate.

9. THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM (UCRS)

Most UCLA employees participate in UCRS. UCRS consists of UCRP, a defined benefit plan funded with University and employee contributions; UCRSP which includes defined contribution plans with options to participate in internally or externally managed investment portfolios generally funded with employee non-elective and elective contributions; and PERS-VERIP, a defined benefit plan for UCLA employees who were members of PERS and who elected early retirement. The Regents has the authority to establish and amend the benefit plans. Administration authority with respect to UCRS plans is vested with the President of the University as plan administrator, and the President has redelegated that authority within UCRS to the Vice President – Human Resources.

Condensed financial information related to each plan in UCRS and the changes in pension liability for UCRP and PERS-VERIP for the year ended June 30, 2016 is as follows: (fig. 02)

(fig.02)

(in dollars in thousands)	UNIVERSITY OF CALIFORNIA RETIREMENT PLAN	UNIVERSITY OF CALIFORNIA PERS-VERIP	UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM	TOTAL
CONDENSED STATEMENT OF PLANS' FIDUCIARY NET POSITION				
Investments at fair value	$55,283,722	$62,601	$17,850,612	$73,196,935
Participants' interests in mutual funds			2,767,673	2,767,673
Investment of cash collateral	3,735,547	4,222	3,011,723	6,751,492
Other assets	305,772	160	265,042	570,974
Total assets	**59,325,041**	**66,983**	**23,895,050**	**83,287,074**
Collateral held for securities lending	3,734,455	4,221	3,010,842	6,749,518
Other liabilities	1,426,054	1,706	527,561	1,955,321
Total liabilities	5,160,509	5,927	3,538,403	8,704,839
Net position held in trust	**$54,164,532**	**$61,056**	**$20,356,647**	**$74,582,235**
CONDENSED STATEMENT OF CHANGES IN PLANS' FIDUCIARY NET POSITION				
Contributions	$3,367,719		$1,183,433	$4,551,152
Net depreciation in fair value of investments	(1,937,245)	$(2,519)	(360,269)	(2,300,033)
Investment and other income, net	832,590	1,094	484,203	1,317,887
Total additions	**2,263,064**	**(1,425)**	**1,307,367**	**3,569,006**
Benefit payment and participant withdrawals	3,105,641	4,937	1,231,281	4,341,859
Other deductions	48,341	7	10,467	58,815
Total deductions	**3,153,982**	**4,944**	**1,241,748**	**4,400,674**
Increase (decrease) in net Position held in trust	**(890,918)**	**(6,369)**	**65,619**	**(831,668)**
Net position held in trust Beginning of year	55,055,450	67,425	20,291,028	75,413,903
End of year	**$54,164,532**	**$61,056**	**$20,356,647**	**$74,582,235**
CHANGES IN TOTAL PENSION LIABILITY				
Service cost	$1,710,241			$1,710,241
Interest	4,784,904	$2,533		4,787,437
Difference between expected and actual experience	136,167	(650)		135,517
Benefits paid, including refunds of Employee contributions	(3,105,641)	(4,937)		(3,110,578)
Net change in total pension liability	3,525,671	(3,054)		3,522,617
Total pension liability Beginning of year	65,705,091	38,062		65,743,153
End of year	**$69,230,762**	**$35,008**		**$69,265,770**
Net pension liability (asset), end of year	**$15,066,230**	**$(26,048)**		**$15,040,182**

Additional information on the retirement plans can be obtained from the 2015-16 annual report of the University of California Retirement System which can be obtained at http://reportingtransparency.universityofcalifornia.edu/

University of California Retirement Plan (UCRP)

UCRP provides lifetime retirement income, disability protection, death benefits, and post-retirement and pre-retirement survivor benefits to eligible employees of the University and its affiliates. Membership is required in UCRP for all employees appointed to work at least 50 percent time for one year or more or for an indefinite period or for a definite period of a year or more. An employee may also become eligible by completing 1,000 hours within a 12-month period. Generally, five years of service are required for entitlement to plan benefits. The amount of pension benefit is determined under the basic formula of covered compensation times age factor times years of service credit. The maximum monthly benefit cannot exceed 100 percent of the employee's highest average plan compensation over a 36-month period, subject to certain limits imposed under the Internal Revenue Code. Annual cost-of-living adjustments (COLAs) are made to monthly benefits according to a specified formula based on the Consumer Price Index. Ad hoc COLAs may be granted subject to funding availability.

The University's membership in UCRP consisted of the following at June 30, 2016:

	Campuses and Medical Centers	DOE National Laboratories	University of California
Retirees and beneficiaries receiving benefits	56,950	13,127	70,077
Inactive members entitled to, but not receiving benefits	70,808	10,787	81,595
Active members			
Vested	73,612	1,686	75,298
Nonvested	52,295	920	53,215
Total active members	**125,907**	**2,606**	**128,513**
Total membership	**253,665**	**26,520**	**280,185**

Contributions

Contributions to UCRP are based upon rates determined by The Regents. The Regents' funding policy provides for contributions at rates to maintain UCRP on an actuarially sound basis. While the University's independent actuary annually determines the total funding policy contributions, the University is not required to contribute an amount equal to the total funding contribution. The actual contributions and the contribution rates of the University and employees are based on numerous factors, including the availability of funds to the University, the impact of employee contributions on the competitiveness of the University's total remuneration package, and collective bargaining agreements.

The Regents determines the portion of the total contribution to be made by the employer and by the employees, and employee contribution rates for represented employees are subject to collective bargaining. Effective July 1, 2014, employee member contributions range from 7.0 percent to 9.0 percent. The University pays a uniform contribution rate of 14.0 percent of covered payroll on behalf of all UCRP members. UCLA's contributions were $601 million and $349 million for 2016 and 2015, respectively.

Employee contributions to UCRP are accounted for separately and currently accrue interest at 6.0 percent annually. Upon termination, members may elect a refund of their contributions plus accumulated interest; vested terminated members who are eligible to retire may also elect monthly retirement income or a lump sum equal to the present value of their accrued benefits.

Net Pension Liability

All UCRP assets are available to pay any member's benefit. However, assets and liabilities for the campus and medical center segment of UCRP are internally tracked separately from the DOE national laboratory segments of UCRP. The net pension liability for UCRP was as follows:

(in thousands of dollars)	UCLA Campus and Medical Center *	Campuses and Medical Centers	DOE National Laboratories	University of California
At June 30, 2016				
UCRP net position	$11,434,435	$46,127,486	$8,037,046	$54,164,532
Total pension liability	14,815,680	59,779,748	9,451,014	69,230,762
Net pension liability	**$3,381,245**	**$13,652,262**	**$1,413,968**	**$15,066,230**

	UCLA Campus and Medical Center *	Campuses and Medical Centers	DOE National Laboratories	University of California
At June 30, 2016				
UCRP net position	$11,640,793	$46,628,550	$8,426,897	$55,055,450
Total pension liability	14,048,074	56,271,192	9,433,896	65,705,091
Net pension liability	**$2,407,281**	**$9,642,642**	**$1,006,999**	**$10,649,641**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The University's net pension liability was measured as of June 30 and was calculated using the plan net position valued as of the measurement date and total pension liability determined based upon rolling forward the total pension liability from the results of the actuarial valuations as of July 1 one year prior to the measurement date. Actuarial valuations represent a long-term perspective and involve estimates of the value of reported benefits and assumptions about the probability of occurrence of events far into the future. The University's net pension liability was calculated using the following methods and assumptions:

	2016	2015
Inflation	3.0%	3.0%
Investment rate of return	7.25	7.25
Projected salary increases	3.8 - 6.2	3.8 - 6.2
Cost-of-living adjustments	2.0	2.0

Actuarial assumptions are subject to periodic revisions as actual results are compared with past expectations and new estimates are made about the future. The actuarial assumptions used in 2016 and 2015 were based upon the results of an experience study conducted for the period of July 1, 2010 through June 30, 2014. For active members, inactive members and healthy retirees, the RP-2014 White Collar Mortality Tables are used (separate tables for males and females), projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set forward one year. For disabled members, rates are based on the RP-2014 Disabled Retiree Mortality Table, projected with the two-dimensional MP-2014 projection scale to 2029, and with ages then set back one year for males and set forward five years for females.

The long-term expected investment rate of return assumption for UCRP was determined in 2015 based building-block method in which expected future real rates of return (expected returns, net of inflation) are

developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before deducting investment expenses, used in the derivation of the long-term expected investment rate of return assumption are summarized in the following table:

	Target Allocation	Long-Term Expected Real Rate of Return
Asset Class		
U.S. Equity	28.5%	6.1%
Developed International Equity	18.5	7.0
Emerging Market Equity	8.0	8.6
Core Fixed Income	12.5	0.8
High Yield Bonds	2.5	3.0
Emerging Market Debt	2.5	3.9
TIPS	4.5	0.4
Real Estate	5.5	4.8
Private Equity	8.0	11.2
Absolute Return	6.5	4.2
Real Assets	3.0	4.4
Total	**100.0%**	**5.6%**

Discount rate

The discount rate used to estimate the net pension liability as of June 30, 2016 and 2015 was 7.25 percent and 7.5 percent, respectively. To calculate the discount rate, cash flows into and out of UCRP were projected in order to determine whether UCRS has sufficient cash in future periods for projected benefit payments for current members. For this purpose, University and member contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected University and member contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions of future plan members, are not included. The projections also included STIP transfers of $480.0 million in 2016-17 and $392.0 million in 2017-18. In addition, State funding contributions of $171.0 million are included in both 2016-17 and 2017-18. UCRP was projected to have assets sufficient to make projected benefit payments for current members for all future years as of June 30, 2016.

Sensitivity of the Net Pension Liability to the Discount Rate Assumption

The following presents the June 30, 2016 net pension liability of the University calculated using the June 30, 2016 discount rate assumption of 7.25 percent, as well as what the net pension liability would be if it were calculated using a discount rate different than the current assumption:

(in thousands of dollars)	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
UCRP	$23,767,277	$15,066,230	7,764,507
UCRP (UCLA campus portion, Including Medical Centers)*	5,890,430	3,733,982	1,924,339
PERS-VERIP	(24,137)	(26,048)	(27,794)

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
At June 30, 2016						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience	$33,040	$133,315		$133,315		$133,315
Changes of assumptions or other inputs	443,640	1,790,043		1,790,043		1,790,043
Net difference between projected and actual earnings on pension plan investments	646,944	2,610,352	$450,700	3,061,052	$ 3,299	3,064,351
Total	**$1,123,624**	**$4,533,710**	**$450,700**	**$4,984,410**	**$3,299**	**$4,987,709**
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	$67,036	$270,482	$11,422	$281,904		$281,904
Changes of assumptions or other inputs	217,417	877,254		877,254		877,254
Total	**$284,453**	**$1,147,736**	**$11,422**	**$1,159,158**		**$1,159,158**

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
At June 30, 2015						
DEFERRED OUTFLOWS OF RESOURCES						
Difference between expected and actual experience						
Changes of assumptions or other inputs	$702,833	$2,815,280	158,089	2,973,369		2,973,369
Net difference between projected and actual earnings on pension plan investments	450,172	1,803,216	353,970	2,157,186	$2,960	2,160,146
Total	**$1,153,005**	**$4,618,496**	**$512,059**	**$5,130,555**	**$2,960**	**$5,133,515**
DEFERRED INFLOWS OF RESOURCES						
Difference between expected and actual experience	$97,480	$390,467	$4,004	$394,471		$394,471
Changes of assumptions or other inputs	343,441	1,375,693		1,375,693		1,375,693
Net difference between projected and actual earnings on pension plan investments	728,059	2,916,324	542,095	3,458,419	$ 4,922	3,463,341
Total	**$1,168,980**	**$4,682,484**	**$546,099**	**$5,228,583**	**$4,922**	**$5,233,505**

*Pro-rata estimate based on UCLA's respective percentage of covered payroll.

The net amount of deferred outflows of resources and deferred inflows of resources as of June 30, 2016 related to pensions that will be recognized in pension expense during the next five years are as follows:

(in thousands of dollars)	UCLA CAMPUS AND MEDICAL CENTER*	CAMPUSES AND MEDICAL CENTERS	DOE NATIONAL LABORATORIES	TOTAL UCRP	PERS-VERIP	TOTAL
2017	$133,747	$539,654	$4,052	$543,706	(93)	$543,613
2018	74,803	301,821	69,111	370,932	442	371,374
2019	372,613	1,503,455	214,052	1,717,507	1,726	1,719,233
2020	252,993	1,020,799	152,063	1,172,862	1,224	1,174,086
2021	5,017	20,245	—	20,245		20,245
Total	**$839,173**	**$3,385,974**	**$439,278**	**$3,825,252**	**$3,299**	**$3,828,551**

Pro-rata estimate based on UCLA's respective percentage of covered payroll.

Defined Contribution Plan

The University makes DC Plan retirement contributions on the summer or equivalent term salaries of eligible academic employees who teach, conduct research or provide administrative service during the summer session or an equivalent term. To be eligible, employees must hold academic year appointments and be active members of UCRP or another defined benefit plan to which the University contributes. The contribution rate is 7.0 percent of eligible salary, of which 3.5 percent is University-paid and 3.5 percent is employee-paid, both on a pretax basis. The University may also contribute on behalf of eligible senior managers. Employer contributions to the DC Plan were $4.9 million for both years ended June 30, 2016 and 2015.

The DC Plan Pretax Account also includes mandatory contributions from part-time, seasonal and temporary employees at the University who are not currently participating in UCRP or another defined benefit plan to which the University contributes (Safe Harbor participants). Safe Harbor participation includes certain University student employees and resident aliens with F-1 and J-1 visa status. Safe Harbor participants contribute 7.5 percent of their gross salary (up to the Social Security wage base) to the Plan in lieu of deductions for Social Security taxes.

All University employees, except students who normally work fewer than 20 hours per week, are eligible to make voluntary contributions to the DC Plan After-Tax Account and defer taxation on the earnings until the accumulations are withdrawn. The maximum amount participants may contribute annually to the After-Tax Account is determined by the IRC §415(c) limit. The University may also make DC Plan contributions on behalf of eligible senior managers.

The Supplemental Defined Contribution Plan (SDC Plan) accepts employer contributions on behalf of certain designated employees. Employer contributions are fully vested and there is no provision for employee contributions. There were no assets or employer contributions to the SDC Plan for the years ended June 30, 2016 and 2015.

Tax Deferred 403(b) Plan

The University's Tax-Deferred 403(b) Plan (403(b) Plan) accepts pretax employee contributions. The University may also make contributions on behalf of certain members of management.Employer contributions to the 403(b) Plan for UCLA was $230 thousand for the year ended June 30, 2016.

457(b) Deferred Compensation Plan

The University's 457(b) Deferred Compensation Plan (457(b) Plan) accepts pretax employee contributions. UCLA may also make contributions on behalf of certain members of management. There were no employer contributions to the 457(b) Plan for the years ended June 30, 2016 and 2015.

Participants in the DC Plan, the SDC Plan, the 403(b) Plan and the 457(b) Plan may direct their elective and

nonelective contributions to investment funds managed by the Chief Investment Officer. They may also invest account balances in certain mutual funds. The participants' interests in mutual funds is shown separately in the statement of plans' fiduciary net position.

University of California PERS-VERIP

The University of California PERS-VERIP is a defined benefit pension plan providing lifetime supplemental retirement income and survivor benefits to UC-PERS members who elected early retirement under provisions of the plan. The University contributed to PERS on behalf of these UC-PERS members. As of July 1, 2016, there are 553 retirees or beneficiaries receiving benefits under this voluntary early retirement program.

The University previously made contributions to the Plan sufficient to maintain the promised benefits. The actuarially determined contributions are zero for the years ending June 30, 2016 and 2015.

10.RETIREE HEALTH BENEFIT COSTS AND OBLIGATIONS

The University administers single-employer health and welfare plans to provide health and welfare benefits, primarily medical, dental and vision, to eligible retirees and their eligible family members (retirees) of the University of California and its affiliates. The Regents has the authority to establish and amend the plans.

Membership in UCRP is required to become eligible for retiree health benefits. Participation in the retiree health benefit plans consisted of the following at July 1, 2015, the date of the latest actuarial valuation:

(in thousands of dollars)	Campuses and Medical Centers	Lawrence Berkeley National Laboratory	University Of California
Retirees who are currently receiving benefits	39,774	1,777	41,551
Employees who may receive benefits at retirement	121,298	3,019	124,317
Total Membership	**161,072**	**4,796**	**165,868**

Contribution Policy

The contribution requirements of the University and eligible retirees are established and may be amended by the University. The contribution requirements are based upon projected pay-as-you-go financing. University and retiree contributions toward premiums made under purchased plan arrangements are determined by applying the health plan contract rates across the number of participants in the respective plans. Premium rates for the self-insured plan contributions are set by the University based upon a trend analysis of the historic cost, utilization, demographics and administrative expenses to provide for the claims incurred and the actuarially determined level of incurred but not reported liability.

Contributions toward medical and dental benefits are shared between the University and the retiree. Contributions toward wellness benefits are made by the University. The University does not contribute toward the cost of other benefits available to retirees. Retirees who are employed by the University after July 1, 2013, and retire at the age of 56 or older, become eligible for a percentage of the University's contribution based on the age and years of service. Retirees are eligible for the maximum University contribution at age 65 with 20 or more years of service. Retirees employed by the University prior to 1990 and not rehired after that date are eligible for the University's maximum contribution if they retire before age 55 and have at least 10 years of service, or if they retire at age 55 or later and have at least five years of service. Retirees employed by the University after 1989 are subject to graduated eligibility provisions that generally require 10 years of service before becoming eligible for 50 percent of the maximum University contribution, increasing to 100 percent after 20 years of service.

Active employees do not make any contributions toward the retiree health benefit plans. Retirees pay the excess, if any, of the premium over the applicable portion of the University's contribution.

In addition to the explicit University contribution provided to retirees, there is an "implicit subsidy." The gross premiums for members who are not currently eligible for Medicare benefits are the same for active employees and retirees, based on a blend of their health costs. Retirees, on average, are expected to have higher health care costs than active employees. This

is primarily due to the older average age of retirees. Since the same gross premiums apply to both groups, the premiums paid for active employees by the University are subsidizing the premiums for retirees. This effect is called the implicit subsidy. The implicit subsidy associated with retiree health costs paid during the past year is also considered to be a contribution from the University.

Retiree Health Benefit Expense and Obligation for Retiree Health Benefits

The University's retiree health benefit expense is independently calculated for campuses and medical centers based upon the actuarially determined annual required contribution. The annual required contribution represents the level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize unfunded actuarial liabilities over a period of up to 30 years.

UCLA's annual retiree health benefit expense and related information for the years ended June 30, 2016 and 2015 is as follows:

(dollars in thousands)	UCLA **2016**	UCLA **2015**
Actuarial valuation date	July 1, 2015	July 1, 2014
Annual required contribution	$514,083	$443,392
Interest on obligation for retiree health benefits	101,727	112,554
Adjustment to annual required contribution	(273,440)	(222,093)
Annual retiree health benefit cost	342,370	333,853
Contributions for retiree health benefits	(100,769)	(87,427)
Increase in obligations for retiree health benefits	241,601	246,426
Obligations for retiree health benefits		
Beginning of year	2,277,115	2,030,689
End of year	**$2,518,716**	**$2,277,115**

The annual retiree health benefit cost, percentage of the annual retiree health benefit cost contributed to the retiree health benefit plan, and the net obligation for retiree health benefits for UCLA for the year ended June 30, 2016, and the preceding years are as follows:

(dollars in thousands)	UCLA
Annual retiree health benefit cost:	
June 30, 2016	$342,370
June 30, 2015	333,853
June 30, 2014	315,162
Percent of annual cost contribution:	
June 30, 2016	28.1%
June 30, 2015	27.5%
June 30, 2014	31.2%
Net obligation to the retiree benefits plan:	
June 30, 2016	$2,518,716
June 30, 2015	2,277,115
June 30, 2014	2,030,689

Funded Status

Actuarial valuations represent a long-term perspective and involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, investment return and health care cost trends. The projection of benefits does not explicitly incorporate the potential effects of the results of collective bargaining discussions on the contribution rate. Actuarially determined amounts are subject to periodic revisions as actual rates are compared with past expectations and new estimates are made about the future.

The funded status of the plan for UCLA campus and medical center as of July 1, 2015, was as follows:

(dollars in thousands)

Actuarial value of plan assets	$12,552
Actuarial accrued liability	(4,292,626)
Unfunded actuarial accrued liability	**($ 4,280,074)**
Value of the implicit subsidy included	
In the actuarial accrued liability	$947,807
Funded ratio	0.3%
Covered payroll	$2,394,027
Unfunded actuarial accrued liability	
As a percentage of covered payroll	(178.8%)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, includes multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based upon the plan as understood by the University and plan members, and include the types of benefits provided at the time of each valuation and the historical cost pattern of sharing of benefit costs between the University and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Significant actuarial methods and assumptions used in the valuation were:

- assumed return on investment of 4.5 percent per year, representing the return on the University's assets expected to be used to finance benefits;
- market value of assets smoothed over a five-year period;
- health care cost trend rate ranging from 7.1 to 9.5 percent for non-Medicare and 6.4 to 8.0 percent for Medicare initially, depending on the type of plan, reduced by increments to an ultimate rate of 5.0 percent over 15 years;
- projected inflation at 3.0 percent;
- amortization of the initial unfunded actuarial accrued liability over 30 years as a flat dollar amount on a closed basis;
- amortization of future actuarial gains and losses over 15 years as a flat dollar amount on a closed basis;
- amortization of the effects of changes in the plan design, or changes in assumptions, over 30 years as a flat dollar amount on a closed basis;
- entry age normal level-dollar actuarial cost method;
- future life expectancy based upon recent group mortality experience; and
- assumed retirement ages, employee turnover and disability rates based on actual plan experience and future expectations.

11. ENDOWMENTS AND FOUNDATION GIFTS

Endowments and gifts are held and administered by the University or the UCLA's Foundations. The value of these endowments and gifts, exclusive of income distributed to be used for operating purposes, at June 30, 2016 and 2015, are as follows:

	UCLA		Foundations	
(dollars in thousands)	**2016**	**2015**	**2016**	**2015**
Restricted				
Endowments	$265,828	$258,533	$1,000,954	$948,788
Annuity and life income	72	76	10,134	12,964
Nonexpendable	**265,900**	**258,609**	**1,011,088**	**961,752**
Endowments	453,724	509,833	179,884	255,720
Funds functional as endowments	553,646	614,128	493,977	516,947
Annuity and life Income	323	377	18,638	17,254
Gifts	241,205	211,682	640,994	576,862
Expendable	**1,248,898**	**1,336,020**	**1,333,493**	**1,366,783**
Total restricted	**1,514,798**	**1,594,629**	**2,344,581**	**2,328,535**
Unrestricted				
Endowments	1,657	1,809	—	—
Funds functional as endowments	763,278	244,004	—	—
Gifts	1,468	2,320	66,831	80,464
Total unrestricted	**766,403**	**248,133**	**66,831**	**80,464**
Total endowments and gifts	**$2,281,201**	**$1,842,762**	**$2,411,412**	**$2,408,999**

University Endowments

The University's endowment income distribution policies are designed to preserve the value of the endowment in real terms (after inflation) and to generate a predictable stream of spendable income. Endowment investments are managed to achieve the maximum long-term total return. As a result of this emphasis on total return, the proportion of the annual income distribution provided by dividend and interest income and by capital gains may vary significantly from year to year. The University's policy is to retain the realized and unrealized appreciation with the endowment after the annual income distribution has been made. The net appreciation available to meet future spending needs is subject to the approval of The Regents and this amount for UCLA was $912 million and $1 billion at June 30, 2016 and 2015, respectively.

The portion of investment returns earned on endowments held by the University and distributed at the end of each year to support current operations for the following year is based upon a rate that is approved by The Regents. The annual income distribution transferred to UCLA from endowments held by the University was $37 million and $36 million for years ended June 30, 2016 and 2015, respectively. The portion of this annual income distribution from accumulated capital gains, in addition to the dividend and interest

income earned during the year, was $34 million and $30 million for the years ended June 30, 2016 and 2015, respectively. Accumulated endowment income available for spending in the future, including the annual income distribution, was $90 million and $75 million at June 30, 2016 and 2015, respectively.

UCLA Foundations

During the years ended June 30, 2016 and 2015, gifts of $222 million ($82 million from endowment investments and $139 million from current funds) and $204 million ($83 million from endowment investments and $121 million from current funds), respectively, were transferred to UCLA from these Foundations.

12. OPERATING EXPENSES BY FUNCTION

Operating expenses, by functional classification, for the years ended June 30, 2016 and 2015, are as follows:

(dollars in thousands)	**2016**	**2015**
Instruction	$2,140,219	$1,939,648
Research	805,829	775,208
Public service	136,439	127,955
Academic support	660,014	577,848
Student services	168,727	155,819
Institutional support	278,861	257,360
Operations and maintenance of plant	110,638	101,345
Student financial aid	60,775	12,262
Medical centers	2,139,767	1,829,159
Auxiliary enterprises	362,170	346,021
Depreciation	364,284	347,899
Impairment of capital assets	3,712	4,124
Other	26,624	21,847
Total	**$7,258,059**	**$6,496,495**

13.SEGMENT INFORMATION - MEDICAL CENTER

The University's medical centers' revenues are pledged in support of the outstanding University of California Medical Center Pooled Revenue Bonds. The UCLA medical center's operating revenues and expenses consist primarily of revenues associated with patient care and the related costs of providing that care. Condensed financial statement information related to the UCLA medical center for the years ended June 30, 2016 and 2015 is as follows:

(in dollars in thousands)	**2016**	**2015**
Revenue bonds outstanding	$700,315	$709,915
Related debt service payments	44,507	44,709
Bonds due serially through	2,049	2,049
CONDENSED STATEMENT OF NET POSITION		
Current assets	$1,319,490	$1,128,849
Capital assets, net	1,813,446	1,845,365
Other assets	299,918	301,555
Total assets	**3,432,854**	**3,275,769**
Total deferred outflows of resources	**445,456**	**433,959**
Current liabilities	421,741	326,049
Long-term debt	837,071	810,389
Other noncurrent liabilities	1,389,227	1,026,374
Total liabilities	**2,648,039**	**2,162,812**
Total deferred inflows of resources	**87,526**	**343,940**
Net investment in capital assets	959,252	1,027,330
Restricted	11,360	12,213
Unrestricted	172,133	163,433
Total net position	**$1,142,745**	**$1,202,976**

Continued on next page

(in dollars in thousands)	**2016**	**2015**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION		
Operating revenues	$2,364,038	$2,253,866
Operating expenses	(2,095,729)	(1,887,671)
Depreciation expense	(134,100)	(130,946)
Operating income	**134,209**	**235,249**
Nonoperating expenses, net	(24,398)	(11,833)
Income before other changes in net position	**$109,811**	**$223,416**
Health systems support	(176,852)	(130,170)
Transfers to university, net	(8,950)	
Changes in allocation for pension payable to university	(452)	2,822
Other, including donated assets	16,212	4,146
Increase (decrease) in net position	**$ (60,231)**	**$100,214**
Net position – beginning of year	1,202,976	1,102,762
Net position	**$1,142,745**	**$1,202,976**
CONDENSED STATEMENT OF CASH FLOWS		
Net cash provided (used) by:		
Operating activities	$430,799	$421,423
Noncapital financing activities	(175,258)	(125,942)
Capital and related financing activities	(102,284)	(144,019)
Investing activities	15,583	(237,783)
Net increase (decrease) in cash and cash equivalents	**$168,840**	**$(86,321)**
Cash and cash equivalents* - prior year	734,777	821,098
Cash and cash equivalents*	**$903,617**	**$734,777**

Cash and cash equivalents on the medical center's financial statements are included in the University's Short Term Investment Pool

Summarized financial information for UCLA medical center is from the collective University of California medical center's separately audited financial statements. Certain revenue, such as financial support from the state for clinical teaching programs, is classified as state educational appropriations rather than medical center revenue in UCLA's statement of revenues, expenses and changes in net position. However, in the medical centers' audited financial statements and for segment reporting purposes, these revenues are classified as operating revenue. Additional information on the individual University of California medical centers can be obtained from their audited financial statements which are available at http://reportingtransparency.universityofcalifornia.edu/.

Multiple purpose and housing system projects (including student and faculty housing, parking facilities, student centers, recreation and events facilities, student health service facilities and certain academic and administrative facilities) are also financed by revenue bonds; however, assets and liabilities are not required to be accounted for separately.

14. CAMPUS FOUNDATION INFORMATION

Under University policies approved by The Regents, each individual campus may establish a separate foundation to provide valuable assistance in fundraising, public outreach and other support for the missions of the campus and the University. Although independent boards govern these foundations, their assets are dedicated for the benefit of the University of California.

The UCLA Foundation was established in 1945 to raise funds to benefit UCLA. In addition, the Jonsson Cancer Center Foundation/UCLA (JCCF) was established in 1956 with the primary purpose to raise funds for cancer research at UCLA. These two foundations are component units of the University. The combined financial statements of these two foundations are presented discretely in a separate column on the University's financial statements because of their nature and significance of their relationship with the University.

Condensed financial statement information related to UCLA's foundations for the years ended June 30, 2016 and 2015 is as follows:

		UCLA Foundations	
(dollars in thousands)	**UCLA Foundation***	**Jonsson Cancer Center Foundation**	**Total**
Year Ended June 30, 2016			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$424,946	$9,068	$434,014
Noncurrent assets	2,235,004	15,089	2,250,093
Total assets	**2,659,950**	**24,157**	**2,684,107**
Current liabilities	240,958	847	241,805
Noncurrent liabilities	29,430	—	29,430
Total liabilities	**270,388**	**847**	**271,235**
Deferred inflow of resources	**1,460**	**—**	**1,460**
Restricted	2,329,702	14,879	2,344,581
Unrestricted	58,400	8,431	66,831
Total net position	**$2,388,102**	**$23,310**	**$2,411,412**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$235,119	$23,417	$258,536
Operation expenses	(252,154)	(11,744)	(263,898)
Operating income (loss)	**(17,035)**	**11,673**	**(5,362)**
Nonoperating expenses	(62,147)	(216)	(62,363)
Income (loss) before other changes in net position	**(79,182)**	**11,457**	**(67,725)**
Permanent endowments	70,138	—	70,138
Increase (decrease) in net position	**(9,044)**	**11,457**	**2,413**
Net position- june 30,2015	2,397,146	11,853	2,408,999
Net position-june 30,2016	**$2,388,102**	**$23,310**	**$2,411,412**
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	($ 62,025)	($ 738)	(62,763)
Noncapital financing activities	59,081	—	59,081
Investing activities	3,828	1,332	5,160
Net increase in cash and equivalents	**884**	**594**	**1,478**
Cash and equivalents-june 30,2015	3,910	188	4,098
Cash and equivalents - june 30, 2016	**$4,794**	**$782**	**$5,576**

Net of investments held for JCCF

Continued on next page

(dollars in thousands)	UCLA Foundation*	UCLA Foundations Jonsson Cancer Center Foundation	Total
Year ended june 30, 2015			
CONDENSED STATEMENT OF NET POSITION			
Current assets	$409,036	$8,970	$418,006
Noncurrent assets	2,259,999	3,468	2,263,467
Total assets	**2,669,035**	**12,438**	**2,681,473**
Current liabilities	238,820	585	239,405
Noncurrent liabilities	31,641	—	31,641
Total liabilities	**270,461**	**585**	**271,046**
Deferred inflow of resources	**1,428**	**—**	**1,428**
Restricted	2,324,941	3,594	2,328,535
Unrestricted	72,205	8,259	80,464
Total net position	**$2,397,146**	**$11,853**	**$2,408,999**
CONDENSED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION			
Operating revenues	$186,517	$11,290	$197,807
Operation expenses	(239,357)	(10,516)	(249,873)
Operating income (loss)	**(52,840)**	**774**	**(52,066)**
Nonoperating revenues	104,363	229	104,592
Income before other changes in net position	**51,523**	**1,003**	**52,526**
Permanent endowments	66,981	—	66,981
Increase in net position	**118,504**	**1,003**	**119,507**
Net position- june 30,2014	2,278,642	10,850	2,289,492
Net position-june 30,2015	**$2,397,146**	**$11,853**	**$2,408,999**
CONDENSED STATEMENT OF CASH FLOWS			
Net Cash Provided (Used) By:			
Operating Activities	($ 54,840)	($ 171)	($ 55,011)
Noncapital Financing Activities	38,028	—	38,028
Investing Activities	18,252	224	18,476
Net Increase in Cash and Equivalents	**1,440**	**53**	**1,493**
Cash and Equivalents-June 30,2014	2,470	135	2,605
Cash and Equivalents - June 30, 2015	**$3,910**	**$188**	**$4,098**

Net of investments held for JCCF

The individually audited financial statements for the Foundations are available at:
www.uclafoundation.org and www.cancer.ucla.edu

15. COMMITMENTS AND CONTINGENCIES

Contractual Commitments

Amounts committed but unexpended for construction projects totaled $302 million and $452 million on June 30, 2016 and 2015, respectively.

UCLA leases land, buildings and equipment under agreements recorded as operating leases. Operating lease expenses for the years ended June 30, 2016 and 2015 were $69 million and $78 million, respectively. The terms of operating leases extend through April 2027.

Future minimum payments on operating leases with initial or remaining non-cancelable terms in excess of one year are as follows:

(dollars in thousands)

Year Ended June 30	Minimum annual lease payments
2017	$58,142
2018	52,371
2019	45,068
2020	36,629
2021	27,469
2022-2026	46,887
2027-2031	985
Total	**$267,551**

Net of investments held for JCCF

Contingencies

Substantial amounts are received and expended by UCLA, including the UCLA Medical Center, under federal and state programs and are subject to audit by cognizant governmental agencies. This funding relates to research, student aid, medical center operations and other programs. UCLA management believes that any liabilities arising from such audits will not have a material effect on UCLA's financial position.

UCLA and the foundations are contingently liable in connection with certain other claims and contracts, including those currently in litigation, arising in the normal course of its activities. Although there are inherent uncertainties in any litigation, UCLA management and campus counsel are of the opinion that the outcome of such matters will not have a material effect on UCLA's financial position.

Required Supplementary Information

The required supplementary information can be obtained from the 2015-16 annual report of the University of California Retirement System, which can be obtained at:

http://reportingtransparency.universityofcalifornia.edu/

CREDITS

The UCLA 2015-2016 Annual Financial Report was prepared by Financial Management and Reporting, a unit of Corporate Financial Services, University of California, Los Angeles.

The UCLA 2015-2016 Annual Financial Report is available in the electronic format. This report and reports from prior years are available at ww.finance.ucla.edu

For more information, contact Financial Management and Reporting at cfs_fmr@finance.ucla.edu

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